

*County of Lehigh,
Pennsylvania*

December 31, 2023

*Financial Statements
and Independent Auditor's Report*

County of Lehigh

Year Ended December 31, 2023

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Zelenkofske Axlerod LLC

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Lehigh, Pennsylvania as of and for the year ended December 31, 2023 and the related notes to the financial statements, which collectively comprise the County of Lehigh, Pennsylvania's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate each major fund, and the aggregate remaining fund information of the County of Lehigh, Pennsylvania, as of December 31, 2023, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the County of Lehigh, Pennsylvania and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The County of Lehigh, Pennsylvania's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the County of Lehigh, Pennsylvania's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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To the Board of Commissioners
County of Lehigh, Pennsylvania
Allentown, Pennsylvania
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In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 County of Lehigh, Pennsylvania's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County of Lehigh, Pennsylvania's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Adoption of Governmental Accounting Standards Board Pronouncements

As described in Note 1 to the financial statements, in 2023 the County of Lehigh, Pennsylvania adopted the provisions of Governmental Accounting Standards Board's, Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, GASB's Statement No. 96, *Subscription-Based Information Technology Arrangements*, and GASB's Statement No 99, *Omnibus 2022*. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of pension and other postemployment benefit (OPEB) information, and budgetary comparison information on pages 3-10 and 55-69 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Zelenkofske Axlerod LLC

Zelenkofske Axlerod LLC
Jamison, Pennsylvania
June 26, 2024

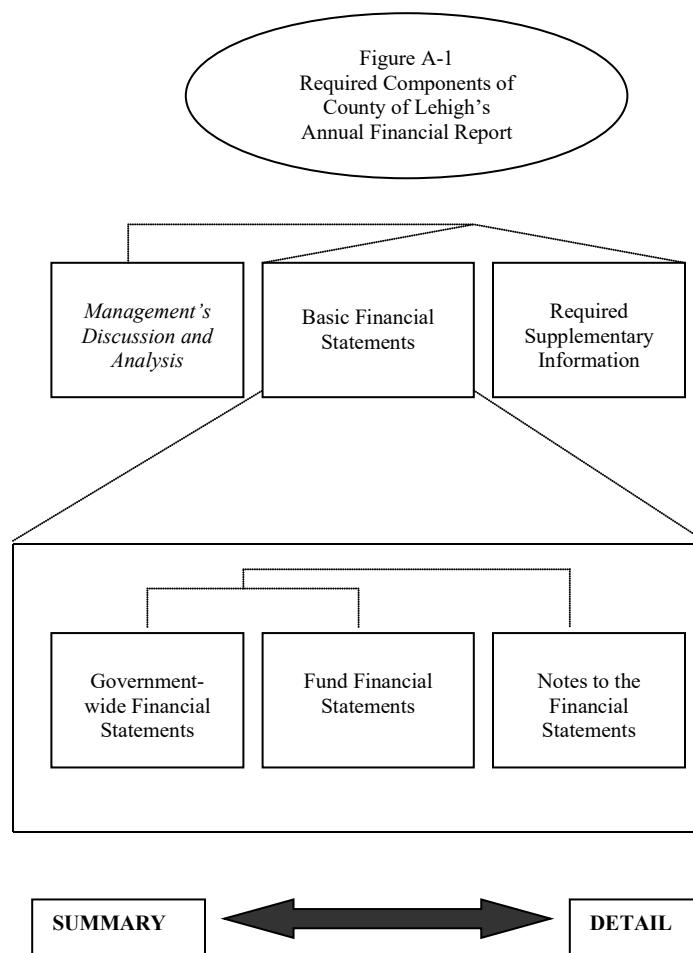
MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2023. Please read it in conjunction with the County's financial statements that follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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



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

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

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

Government-wide Statements

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

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

Fund Financial Statements

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

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

The County has three kinds of funds:

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

Government-wide Financial Analysis

The County’s assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by approximately \$139.1 million at the close of the 2023 fiscal year. The following is a condensed summary of net position for the years 2022 and 2023:

County of Lehigh’s Net Position

	Total Governmental Activities		Total Business - Type Activities		Total	
	2022	2023	2022	2023	2022	2023
Current and other assets	\$ 310,473,661	\$ 368,842,520	\$ 1,436,199	\$ 1,409,414	\$ 311,909,860	\$ 370,251,934
Capital assets	279,855,538	279,874,765	380,572	506,153	280,236,110	280,380,918
Total Assets	590,329,199	648,717,285	1,816,771	1,915,567	592,145,970	650,632,852
Deferred outflows of resources - Pension	95,354,973	51,682,609	238,379	123,920	95,593,352	51,806,529
General obligation bonds and notes payable	117,131,690	172,802,289			117,131,690	172,802,289
Other liabilities	417,118,240	375,773,397	627,621	545,504	417,745,861	376,318,901
Total Liabilities	534,249,930	548,575,686	627,621	545,504	534,877,551	549,121,190
Deferred inflows of resources - Leases	13,514,178	13,159,939			13,514,178	13,159,939
Pension	111,130	1,027,764	276	2,678	111,406	1,030,442
	13,625,308	14,187,703	276	2,678	13,625,584	14,190,381
Net Position:						
Net investment in capital assets	193,497,644	190,413,557	380,572	506,153	193,878,216	190,919,710
Restricted	110,879,743	130,764,185			110,879,743	130,764,185
Unrestricted deficit	(166,568,453)	(183,541,237)	1,046,681	985,152	(165,521,772)	(182,556,085)
Total Net Position	\$ 137,808,934	\$ 137,636,505	\$ 1,427,253	\$ 1,491,305	\$ 139,236,187	\$ 139,127,810

Current and other assets increased \$58.3 million largely due to the net of:

- An increase in cash and cash equivalents of \$53.9 million. Cash and cash equivalents increased \$7.7 million in the Cedarbrook Fund 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), decreased \$13.1 million in the American Rescue Plan Fund resulting from previously received grant funds that were expended in the current year, increased \$6 million in the Debt Service Fund due to the capitalization of interest for the 2023 general obligation bonds that will fund future interest payments, decreased \$4.1 million in the Bond Fund 2019 due to capital asset purchases, and increased \$58.1 million due to the issuance of general obligation bonds in 2023.
- An increase in grants receivable of \$7.2 million. Children and Youth Fund increased \$12.8 million due to delayed state grant reimbursements and Cedarbrook Fund decreased \$2.5 million due to timing of reimbursements from PA Managed Care Organizations.
- A decrease in other receivables of \$2.2 million resulting from the timing of the recognition of future opioid settlement payments.

Deferred outflows of resources - pension decreased \$43.8 million and deferred inflows of resources - pension increased \$.9 million resulting from favorable market conditions. See note 7 on page 43 for additional information.

General obligation bonds and notes payable increased \$55.7 million due to the net of the issuance of \$62.4 million general obligation bonds in 2023 and the payment of \$6.7 million in principal payments. See Note 3 on Page 37 for additional information concerning the County’s long-term debt.

Other liabilities decreased \$41.4 million due to the net of:

- A decrease in deposits and agency amounts payable of \$6 million resulting from a decrease in the actuarially determined claims payable reserve in the Health Choices Fund.
- A decrease in unearned grant revenues of \$13.4 million resulting from the deferral of grant revenues received for the American Rescue Plan. Grant revenues that have not been expended as of prior year end were deferred and are recognized as revenue in the current year as the funds are used.
- An increase in unamortized bond premium of \$2.7 million resulting from the net of an increase of \$3.3 million due to the issuance of 2023 general obligation bonds and current year amortization of \$.6 million.
- A decrease in net pension liability of \$31.5 million resulting from favorable market conditions. See note 7 on page 43 for additional information.
- An increase in total OPEB liability of \$5.7 million resulting from a decrease in the discount rate used in calculating this liability as required by GASB No. 75. See note 8 on page 48 for additional information.

Total net investment in capital assets/net position restricted for capital improvements decreased \$3 million due to the net of the payment of \$6.7 million in principal payments and an increase in unamortized bond premium of \$2.7 million referenced above. Unrestricted deficit increased \$17 million largely due to the net effect of the changes in net pension liability, deferred inflows/outflows of resources - pension, and unfunded other postemployment benefits as previously noted.

Changes in Net Position:

The following is a summary of the key elements comprising the changes in net position for the years 2022 and 2023.

County of Lehigh’s Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>
Revenues:						
Program revenue:						
Charges for services	\$ 46,752,379	\$ 29,154,580	\$ 1,275,558	\$ 1,395,432	\$ 48,027,937	\$ 30,550,012
Operating grants and contributions	353,541,359	374,967,252			353,541,359	374,967,252
General revenues:						
Property taxes	116,881,808	118,172,572			116,881,808	118,172,572
Unrestricted investment earnings	2,533,188	10,957,703	11,328	58,892	2,544,516	11,016,595
Transfers	157,362	141,986	(157,362)	(141,986)		
Total revenues	519,866,096	533,394,093	1,129,524	1,312,338	520,995,620	534,706,431

Expenses:						
Elected officials	30,786,678	36,805,142			30,786,678	36,805,142
County executive	6,781,255	7,605,190			6,781,255	7,605,190
Administration	27,190,079	19,107,364			27,190,079	19,107,364
Human services	233,687,140	233,215,152	1,099,330	1,248,286	234,786,470	234,463,438
General services	19,398,547	23,613,924			19,398,547	23,613,924
Nursing homes	79,525,608	111,928,684			79,525,608	111,928,684
Corrections	34,981,497	40,264,459			34,981,497	40,264,459
Department of law	(102,876)	216,301			(102,876)	216,301
Courts	37,394,939	44,914,807			37,394,939	44,914,807
Development	4,008,136	11,714,921			4,008,136	11,714,921
Interest on lease liability	183,198	158,409			183,198	158,409
Interest on long-term debt	4,288,379	4,022,169			4,288,379	4,022,169
Total expenses	478,122,580	533,566,522	1,099,330	1,248,286	479,221,910	534,814,808
Changes in Net Position	41,743,516	(172,429)	30,194	64,052	41,773,710	(108,377)
Beginning Net Position	96,065,418	137,808,934	1,397,059	1,427,253	97,462,477	139,236,187
Ending Net Position	<u>\$137,808,934</u>	<u>\$137,636,505</u>	<u>\$ 1,427,253</u>	<u>\$ 1,491,305</u>	<u>\$139,236,187</u>	<u>\$139,127,810</u>

The County's total revenues increased \$13.7 million to \$534.7 million due to:

- A decrease in charges for services of \$17.5 million resulting from the recognition of future opioid settlement payments in the prior year. In 2022, these funds were required to be reported as a deferred inflow of resources at the fund level, but were fully recognized as revenue at the government-wide level in 2022.
- An increase in operating grants and contributions of \$21.4 million due to an increase of \$27.7 million in the Cedarbrook Fund resulting from the transfer of funds between the County and the Pennsylvania Department of Human Services, known as an intergovernmental transfer (IGT), and a \$7 million decrease in federal CARES Act Emergency Rental Assistance Program funds.
- An increase in property taxes of \$1.3 million.
- An increase in unrestricted investment earnings of \$8.5 million resulting from an increase in interest rates.

The County's expenses totaled \$534.8 million. The Human Services and Nursing Homes functions comprise 64.8% of the total expenses. The Corrections and Courts functions comprise 15.9% of the total expenses.

Financial Analysis of the Governmental Funds

The County's governmental funds combined fund balances were \$249.1 million, which is a \$76.8 million increase from the prior year. The primary reasons for this increase in fund balances were:

- The Health Choices Fund increased \$3.1 million due to an increase in eligible program membership.
- Debt Service Fund increased \$6 million due to the capitalization of interest for the 2023 general obligation bonds that will fund future interest payments.
- Bond Fund 2023 increased \$58.1 million due to the issuance of general obligation bonds in 2023.

General Fund Budgetary Highlights

Original vs. Final Budget

In the General Fund, differences between the original adopted budget and the final amended budget resulted in a net increase of \$14.9 million in revenues and a net increase of \$18.5 million in expenditures. These fluctuations were largely the result of budget revisions to accommodate Redevelopment Assistance Capital Program (RACP) projects funded by the state, federal CARES Act Emergency Rental Assistance Program funds, and election integrity grant funds that were not originally budgeted. Remaining fluctuations were largely the result of revisions for purchase orders and other committed fund carryovers.

Final Budget vs. Actual

- \$.8 million favorable variance in tax revenues.
- \$1.6 million unfavorable variance in grants and reimbursements. In general, these variances are the result of timing differences between the grant related expenditure and the corresponding reimbursement.
- \$1.9 million unfavorable variance in departmental earnings largely due to reduced holding fee activity in the Jail of non-county inmates and activity in services provided through the Sheriff, Regional Central Booking, and Collections offices.
- \$.6 million favorable variance in investment income due to favorable interest rates.
- \$1.1 million favorable variance in Elected Officials expenditures largely due to favorable budget variations in personnel costs and professional services such as legal services and other specialized services.
- \$2 million favorable variance in County Executive expenditures largely due to election integrity grant funds that were not disbursed as of the end of year end.
- \$1.1 million favorable variance in Corrections expenditures largely due to favorable budgetary variations in personnel costs.
- \$.9 million favorable variance in Development expenditures due to timing differences between the grant related expenditure and the corresponding reimbursement.

Budgeted operating transfers in and operating transfers out resulted in a net favorable variance of \$3.9 million resulting from anticipated capital asset activity that did not occur as of the close of the year. Funding of these projects is achieved through transfers from individual funds to the Other Capital Projects Fund which is carried forward to the following year.

Capital Assets

The following is a schedule of the County's net capital assets as of December 31, 2022 and December 31, 2023:

County of Lehigh's Capital Assets

	<u>Total Governmental Activities</u>		<u>Total Business-Type Activities</u>		<u>Total</u>	
	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>
Land	\$ 12,333,781	\$ 12,333,781	\$ 236,533	\$ 236,533	\$ 12,570,314	\$ 12,570,314
Easements	30,419,968	31,972,844			30,419,968	31,972,844
Buildings and improvements	160,891,895	160,417,088	129,686	247,348	161,021,581	160,664,436
Machinery and equipment	12,271,469	12,885,865	1,069		12,272,538	12,885,865
Furniture and Fixtures	571,960	1,319,298	13,284	22,272	585,244	1,341,570
Infrastructure	59,691,085	57,887,757			59,691,085	57,887,757
Right-to-use assets	3,675,380	3,058,132			3,675,380	3,058,132
Total	<u>\$ 279,855,538</u>	<u>\$ 279,874,765</u>	<u>\$ 380,572</u>	<u>\$ 506,153</u>	<u>\$ 280,236,110</u>	<u>\$ 280,380,918</u>

Noteworthy capital asset purchases/projects that took place in 2023 were as follows:

- \$7.3 million - Nursing home facility renovation
- \$1.6 million - Agriculture land easements
- \$2.4 million - Water and heating system upgrade
- \$.7 million - Voting machine upgrade
- \$.5 million - Vehicle purchases

Additional information of the County's Capital Assets can be found in Note 6 on page 42.

Debt Administration

At year-end, the County had \$171.7 million in general obligation bonds and \$1.1 million in general obligation notes outstanding. More detailed information about the County's long-term liabilities is presented in Note 3 on Page 37.

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

State statutes limit the amount of general obligation debt a governmental entity may issue. The current debt limitation for the County of Lehigh is \$1.4 billion as stated within the debt statement of the County's most recent note issuance, which is significantly in excess of the County's outstanding general obligation debt.

Economic Factors and Next Year's Budgets and Rates

- Unemployment in Lehigh County was 3.3 percent compared to the state's rate of 3.4 percent and the national rate of 3.6 percent.
- Northeast region 2023 inflation was 2.6 percent.

These indicators were taken into account when adopting the general fund budget for 2024.

Property tax millage for 2024 is the same as 2023 - 3.78 mills.

Request for Information

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

COUNTY OF LEHIGH, PENNSYLVANIA
Statement of Net Position
December 31, 2023

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 279,129,422	\$ 1,409,274	\$ 280,538,696
Receivables:			
Grants	45,176,826		45,176,826
Real estate taxes	2,897,246		2,897,246
Leases	13,159,939		13,159,939
Other	16,697,744	140	16,697,884
Other	1,232,987		1,232,987
Cash and cash equivalents - restricted	10,548,356		10,548,356
Capital assets, not being depreciated/amortized	44,306,625	236,533	44,543,158
Capital assets (net of accumulated depreciation/amortization)	235,568,140	269,620	235,837,760
Total assets	648,717,285	1,915,567	650,632,852
DEFERRED OUTFLOWS OF RESOURCES			
Pension	51,682,609	123,920	51,806,529
LIABILITIES			
Accounts payable	27,433,553	48,120	27,481,673
Deposits and agency amounts payable	10,548,356		10,548,356
Accrued payroll and payroll taxes	2,528,524	7,916	2,536,440
Due to other governmental units	42,254		42,254
Unearned grant revenues	44,927,789		44,927,789
Current portions of long term liabilities:			
Leases	433,242		433,242
General obligation bonds payable	6,685,000		6,685,000
Note payable	695,545		695,545
Unamortized bond premium	606,185		606,185
Noncurrent portions of long term liabilities:			
Accrued vacation and other compensation	15,689,002		15,689,002
Accrued worker's compensation	2,443,757		2,443,757
Leases	1,299,229		1,299,229
General obligation bonds payable	165,040,000		165,040,000
Note payable	381,744		381,744
Unamortized bond premium	7,046,384		7,046,384
Net pension liability	153,605,010	324,951	153,929,961
Total OPEB liability	109,170,112	164,517	109,334,629
Total liabilities	548,575,686	545,504	549,121,190
DEFERRED INFLOWS OF RESOURCES			
Leases	13,159,939		13,159,939
Pension	1,027,764	2,678	1,030,442
	14,187,703	2,678	14,190,381
NET POSITION			
Net investment in capital assets	190,413,557	506,153	190,919,710
Restricted for:			
Program expenditures	111,539,239		111,539,239
Debt service	5,996,404		5,996,404
Capital improvements	13,228,542		13,228,542
Unrestricted (deficit)	(183,541,237)	985,152	(182,556,085)
Total net position	\$ 137,636,505	\$ 1,491,305	\$ 139,127,810

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, 2023

Function	Expenses	Indirect Expenses Allocation	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
			Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Elected officials	\$ 34,128,405	\$ 2,676,737	\$ 5,954,923	\$ 2,112,479	\$ (28,737,740)		\$ (28,737,740)
County executive	6,573,700	1,031,490	8,468	1,306,180	(6,290,542)		(6,290,542)
Administration	35,950,139	(16,842,775)	4,489,318	15,523,085	905,039		905,039
Human services	230,517,956	2,697,196	269,547	226,061,718	(6,883,887)		(6,883,887)
General services	25,154,678	(1,540,754)	230,426	10,059,975	(13,323,523)		(13,323,523)
Nursing homes	106,267,066	5,661,618	8,614,089	101,321,368	(1,993,227)		(1,993,227)
Corrections	38,566,954	1,697,505	3,131,432	571,141	(36,561,886)		(36,561,886)
Department of law	1,521,611	(1,305,310)	52,536		(163,765)		(163,765)
Courts	39,313,428	5,601,379	3,935,996	8,048,039	(32,930,772)		(32,930,772)
Development	11,555,262	159,659	2,467,845	9,963,267	716,191		716,191
Interest on lease liability	158,409				(158,409)		(158,409)
Interest on long-term debt	4,022,169				(4,022,169)		(4,022,169)
Total governmental activities	533,729,777	(163,255)	29,154,580	374,967,252	(129,444,690)		(129,444,690)
Business-type activities:							
Enterprise funds	1,085,031	163,255	1,395,432			147,146	147,146
Total primary government	\$ 534,814,808	\$ 0	\$ 30,550,012	\$ 374,967,252	(129,444,690)	147,146	(129,297,544)
			General revenues:				
			Taxes		118,172,572		118,172,572
			Unrestricted investment earnings		10,957,703	58,892	11,016,595
			Transfers		141,986	(141,986)	0
			Total general revenues		129,272,261	(83,094)	129,189,167
			Change in net position		(172,429)	64,052	(108,377)
			Net position, January 1		137,808,934	1,427,253	139,236,187
			Net position, December 31		\$ 137,636,505	\$ 1,491,305	\$ 139,127,810

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

COUNTY OF LEHIGH, PENNSYLVANIA
Balance Sheet
Governmental Funds
December 31, 2023

	General	Health Choices	Children and Youth	Cedarbrook	American Rescue Plan	Opioid Settlement	Debt Service Fund	Bond Fund 2019	Bond Fund 2023	Other Governmental Funds	Total Governmental Funds
ASSETS											
Cash and cash equivalents	\$ 25,854,501	\$ 43,195,606		\$ 12,555,748	\$ 32,954,636	\$ 2,164,745	\$ 5,996,404	\$ 34,839,944	\$ 58,147,385	\$ 58,015,036	\$ 273,724,005
Receivables:											
Grants	1,844,560	11,779,127	\$ 20,076,618	5,930,108						5,546,413	45,176,826
Real estate taxes	2,897,246										2,897,246
Leases							13,159,939				13,159,939
Other	13,160,916		490	317,726		14,730,574				609,220	28,818,926
Other	8,648									2,550,000	2,558,648
Cash and cash equivalents - restricted	34,665	10,200,000								313,691	10,548,356
Total assets	<u>\$ 43,800,536</u>	<u>\$ 65,174,733</u>	<u>\$ 20,077,108</u>	<u>\$ 18,803,582</u>	<u>\$ 32,954,636</u>	<u>\$ 16,895,319</u>	<u>\$ 19,156,343</u>	<u>\$ 34,839,944</u>	<u>\$ 58,147,385</u>	<u>\$ 67,034,360</u>	<u>\$ 376,883,946</u>
LIABILITIES AND FUND BALANCES											
Liabilities:											
Accounts payable	\$ 2,050,995	\$ 9,381,752	\$ 18,514,151	\$ 2,524,135	\$ 372,107	\$ 491,351		\$ 261,208		\$ 5,897,594	\$ 39,493,293
Deposits and agency amounts payable	34,665	10,200,000								313,691	10,548,356
Payroll and payroll taxes	1,411,996	8,973	126,656	621,414						348,587	2,517,626
Due to other governmental units	42,254										42,254
Unearned grant revenues			1,436,301		31,215,041					12,276,447	44,927,789
Total liabilities	<u>3,539,910</u>	<u>19,590,725</u>	<u>20,077,108</u>	<u>3,145,549</u>	<u>31,587,148</u>	<u>491,351</u>	<u>0</u>	<u>261,208</u>	<u>0</u>	<u>18,836,319</u>	<u>97,529,318</u>
DEFERRED INFLOWS OF RESOURCES											
Unavailable revenue - real estate taxes	2,333,202										2,333,202
Unavailable revenue - leases							\$ 13,159,939				13,159,939
Unavailable revenue - opioid settlement						14,730,574					14,730,574
Total deferred inflows of resources											<u>30,223,715</u>
Fund balances:											
Restricted		45,584,008			1,367,488	1,673,394	5,996,404	34,578,736	\$ 58,147,385	30,705,146	178,052,561
Committed				15,658,033						17,492,895	33,150,928
Unassigned	37,927,424										37,927,424
Total fund balances	<u>37,927,424</u>	<u>45,584,008</u>	<u>0</u>	<u>15,658,033</u>	<u>1,367,488</u>	<u>1,673,394</u>	<u>5,996,404</u>	<u>34,578,736</u>	<u>58,147,385</u>	<u>48,198,041</u>	<u>249,130,913</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 43,800,536</u>	<u>\$ 65,174,733</u>	<u>\$ 20,077,108</u>	<u>\$ 18,803,582</u>	<u>\$ 32,954,636</u>	<u>\$ 16,895,319</u>	<u>\$ 19,156,343</u>	<u>\$ 34,839,944</u>	<u>\$ 58,147,385</u>	<u>\$ 67,034,360</u>	<u>\$ 376,883,946</u>

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

COUNTY OF LEHIGH, PENNSYLVANIA
Reconciliation of Balance Sheet of Governmental Funds
to the Statement of Net Position
December 31, 2023

Total fund balances for governmental funds \$ 249,130,913

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	12,333,781
Easements	31,972,844
Buildings and improvements, net of \$177,870,958 accumulated depreciation	160,417,088
Machinery and equipment, net of \$75,940,082 accumulated depreciation	12,885,865
Furniture and fixtures, net of \$8,563,040 accumulated depreciation	1,319,298
Infrastructure, net of \$18,839,636 accumulated depreciation	57,887,757
Right-to-use assets, net of \$1,192,391 accumulated amortization	<u>3,058,132</u>

Net capital assets 279,874,765

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.

5,333,077

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.

2,333,202

Some of the County's opioid settlement funds 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.

14,730,574

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, 2023 are:

Accrued vacation and other compensation	(15,689,002)
Accrued worker's compensation	(2,443,757)
Leases	(3,058,132)
Bonds and notes payable	(172,802,289)
Unamortized bond premium	(7,652,569)
Net pension liability (net of related deferred outflows of resources)	(101,922,401)
Total OPEB liability	(109,170,112)
Deferred inflows of resources – pension	<u>(1,027,764)</u>
	<u>(413,766,026)</u>

Total net position of governmental activities \$ 137,636,505

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, 2023

	General	Health Choices	Children and Youth	Cedarbrook	American Rescue Plan	Opioid Settlement	Debt Service Fund	Bond Fund 2019	Bond Fund 2023	Other Governmental Funds	Total Governmental Funds
REVENUES											
Taxes	\$ 118,239,027										\$ 118,239,027
Grants and reimbursements	17,736,252	\$ 141,790,716	\$ 35,781,363	\$ 101,321,368	13,701,186					\$ 64,636,367	\$ 374,967,252
Departmental earnings	11,663,126			8,277,151		\$ 1,363,277				3,326,778	24,630,332
Judicial costs and fines	3,534,753									5,387	3,540,140
Investment income	3,033,271	1,311,841	323,713	535,881	\$ 1,104,540	55,593	\$ 582,461	\$ 1,758,677	\$ 33,941	2,217,785	10,957,703
Rents	392,877			20,104			354,239				767,220
Other	353,056		167,643	7,254						135,728	663,681
Total revenues	<u>154,952,362</u>	<u>143,102,557</u>	<u>36,272,719</u>	<u>110,161,758</u>	<u>14,805,726</u>	<u>1,418,870</u>	<u>936,700</u>	<u>1,758,677</u>	<u>33,941</u>	<u>70,322,045</u>	<u>533,765,355</u>
EXPENDITURES											
Current:											
Elected officials	27,910,698							384,204		3,250,028	31,544,930
County executive	5,747,422							76,550		514,142	6,338,114
Administration	24,197,026				6,329,076	955,072		127,000	106,825	1,519,567	33,234,566
Human services	1,642,447	138,789,792	39,123,492							48,417,107	227,972,838
General services	9,608,337							214,404	1,552,875	10,552,154	21,927,770
Nursing homes				102,576,758				2,923,554		1,354,868	106,855,180
Corrections	33,626,368							1,469,890		109,312	35,205,570
Department of law	1,375,571										1,375,571
Courts	31,279,053									5,333,722	36,612,775
Development	8,980,222									2,481,401	11,461,623
Indirect cost allocation charges	(9,420,023)	250,132	865,900	5,317,856						2,822,880	(163,255)
Debt Service:											
Principal retirement							6,644,293				6,644,293
Interest							4,012,822				4,012,822
Total expenditures	<u>134,947,121</u>	<u>139,039,924</u>	<u>39,989,392</u>	<u>107,894,614</u>	<u>6,329,076</u>	<u>955,072</u>	<u>10,657,115</u>	<u>5,195,602</u>	<u>1,659,700</u>	<u>76,355,181</u>	<u>523,022,797</u>
Excess of revenues over (under) expenditures											
	<u>20,005,241</u>	<u>4,062,633</u>	<u>(3,716,673)</u>	<u>2,267,144</u>	<u>8,476,650</u>	<u>463,798</u>	<u>(9,720,415)</u>	<u>(3,436,925)</u>	<u>(1,625,759)</u>	<u>(6,033,136)</u>	<u>10,742,558</u>
OTHER FINANCING SOURCES (USES)											
Operating transfers in	1,380,969		4,548,778	7,099,268			15,716,819			12,066,458	40,812,292
Operating transfers out	(20,108,107)	(985,278)	(832,105)	(4,003,256)	(7,372,110)				(5,968,336)	(1,260,590)	(40,529,782)
Proceeds of general obligation bonds									65,741,480		65,741,480
Total other financing sources / (uses)	<u>(18,727,138)</u>	<u>(985,278)</u>	<u>3,716,673</u>	<u>3,096,012</u>	<u>(7,372,110)</u>	<u>0</u>	<u>15,716,819</u>	<u>0</u>	<u>59,773,144</u>	<u>10,805,868</u>	<u>66,023,990</u>
Net change in fund balances	1,278,103	3,077,355	0	5,363,156	1,104,540	463,798	5,996,404	(3,436,925)	58,147,385	4,772,732	76,766,548
Fund balances, January 1	36,649,321	42,506,653	0	10,294,877	262,948	1,209,596	0	38,015,661	0	43,425,309	172,364,365
Fund balances, December 31	<u>\$ 37,927,424</u>	<u>\$ 45,584,008</u>	<u>\$ 0</u>	<u>\$ 15,658,033</u>	<u>\$ 1,367,488</u>	<u>\$ 1,673,394</u>	<u>\$ 5,996,404</u>	<u>\$ 34,578,736</u>	<u>\$ 58,147,385</u>	<u>\$ 48,198,041</u>	<u>\$ 249,130,913</u>

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

COUNTY OF LEHIGH, PENNSYLVANIA
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2023

Net change in fund balances – total governmental funds \$ 76,766,548

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/amortization 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/amortization in the current period. 19,227

The issuance of long-term debt is another financing source in the governmental funds but increases the liability in the statement of net position. The repayment of long-term debt principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. (58,491,002)

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	136,433	
Accrued vacation and other compensation	(40,139)	
Leases	617,248	
Unearned real estate tax revenue	(66,455)	
Unearned opioid settlement revenue	(1,052,978)	
Deferred outflows of resources - pension	(43,672,364)	
Net pension liability	31,383,343	
Total OPEB liability	(5,720,164)	
Deferred inflows of resources - pension	(916,634)	(19,331,710)

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 \$584,184 depreciation which is included in the capital outlays adjustment above) is included in the governmental activities. 864,508

Change in net position of governmental activities \$ (172,429)

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, 2023

	<u>Business-type Activities Enterprise Funds</u>	<u>Governmental Activities Internal Service Fund</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,409,274	\$ 5,405,417
Other receivables	140	
Total current assets	1,409,414	5,405,417
Noncurrent assets:		
Capital assets:		
Land and improvements	236,533	
Buildings and improvements	6,998,184	23,354,186
Equipment	401,793	1,010,142
Furniture and fixtures	84,712	1,441,539
Less accumulated depreciation	(7,215,069)	(18,081,393)
Total capital assets (net of accumulated depreciation)	506,153	7,724,474
TOTAL ASSETS	1,915,567	13,129,891
DEFERRED OUTFLOWS OF RESOURCES - PENSION	123,920	
LIABILITIES		
Current liabilities:		
Accounts payable	48,120	61,442
Accrued payroll and payroll taxes	7,916	10,898
Current portion of general obligation bonds payable	56,036	102,918
Total current liabilities	56,036	175,258
Noncurrent liabilities:		
General obligation bonds payable		105,742
Net pension liability	324,951	
Total OPEB liability	164,517	
TOTAL LIABILITIES	545,504	281,000
DEFERRED INFLOWS OF RESOURCES - PENSION	2,678	
NET POSITION		
Net investment in capital assets	506,153	7,515,814
Unrestricted	985,152	5,333,077
TOTAL NET POSITION	\$ 1,491,305	\$ 12,848,891

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, 2023

	<u>Business-type Activities Enterprise Funds</u>	<u>Governmental Activities Internal Service Fund</u>
OPERATING REVENUES		
Tenant rentals - Cedar View	\$ 1,395,432	
Government Center revenues		\$ 2,368,299
Total operating revenues	<u>1,395,432</u>	<u>2,368,299</u>
OPERATING EXPENSES		
Administration and maintenance:		
Cedar View apartments	1,026,069	
Government Center		1,569,121
Depreciation	58,962	584,184
Indirect cost allocation charges	163,255	
Total operating expenses	<u>1,248,286</u>	<u>2,153,305</u>
OPERATING INCOME	<u>147,146</u>	<u>214,994</u>
NONOPERATING REVENUES (EXPENSES)		
Investment earnings	58,892	215,201
Interest expense		(9,347)
Total nonoperating revenues (expenses)	<u>58,892</u>	<u>205,854</u>
OTHER FINANCING USES		
Transfers out	(141,986)	(140,524)
Change in net position	64,052	280,324
Total net position, January 1	<u>1,427,253</u>	<u>12,568,567</u>
Total net position, December 31	<u>\$ 1,491,305</u>	<u>\$ 12,848,891</u>

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

COUNTY OF LEHIGH, PENNSYLVANIA
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2023

	<u>Business-type Activities Enterprise Funds</u>	<u>Governmental Activities Internal Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 1,395,392	\$ 2,368,299
Payments to suppliers	(565,643)	(452,030)
Payments to employees	(332,301)	(773,136)
Payments of benefits on behalf of employees	(93,381)	(330,157)
Indirect cost allocation charges	(163,255)	
Net cash provided by operating activities	240,812	812,976
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers to other funds	(141,986)	(140,524)
Net cash used for noncapital financing activities	(141,986)	(140,524)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(184,543)	
Principal paid on capital debt		(100,108)
Interest paid on capital debt		(9,347)
Net cash used by capital and related financing activities	(184,543)	(109,455)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends on investments	58,892	215,201
Net cash provided by investing activities	58,892	215,201
Net increase/(decrease) in cash and cash equivalents	(26,825)	778,198
Cash and cash equivalents, January 1	1,436,099	4,627,219
Cash and cash equivalents, December 31	\$ 1,409,274	\$ 5,405,417
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 147,146	\$ 214,994
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	58,962	584,184
Increase in other receivables	(40)	
Decrease in deferred outflows of resources - pension	114,459	
Increase/(decrease) in accounts payable	(17,444)	13,655
Increase in payroll and payroll taxes payable	2,586	143
Decrease in net pension liability	(82,251)	
Increase in total OPEB liability	14,992	
Increase in deferred inflows of resources - pension	2,402	
Net cash provided by operating activities	\$ 240,812	\$ 812,976

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, 2023

	Component Unit Employee Retirement Plan	Custodial Funds
ASSETS		
Cash and cash equivalents	\$ 14,874,970	\$ 14,629,316
Investments, at fair value:		
United States government obligations	60,298,508	
Corporate and foreign bonds	46,703,875	
Mortgage/asset backed securities	8,386,089	
Common and preferred stock	147,167,805	
Mutual funds	237,780,275	613,307
Alternative investments	77,822,131	
Total investments	578,158,683	613,307
Receivables:		
Interest and dividends	1,078,511	
Employee contributions	139,604	
Other		1,721,209
Total receivables	1,218,115	1,721,209
Total assets	594,251,768	16,963,832
LIABILITIES		
Accounts payable	234,156	
Deposits and agency amounts payable		15,231,309
Due to other governmental units		1,732,523
Withdrawals payable	119,116	
Pension benefits payable	208,403	
Due to broker	233,299	
Total liabilities	794,974	16,963,832
NET POSITION		
Held in trust for pension benefits	\$ 593,456,794	\$ 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, 2023

	Component Unit	Custodial
	Employee Retirement Plan	Funds
ADDITIONS		
Contributions:		
Employee	\$ 7,936,960	
Employer	16,542,956	
Total contributions	24,479,916	
Investment income:		
Interest and dividend income	15,550,145	
Net appreciation in fair value of investments:		
United States government obligations	3,177,096	
Corporate and foreign bonds	(1,315,121)	
Mortgage/asset backed securities	237,309	
Common stock	18,884,437	
Mutual funds	27,936,884	
Alternative investments	4,487,999	
Total net appreciation in fair value of investments	53,408,604	
Less investment expenses	(1,092,351)	
Net investment income	67,866,398	
Other additions	1,701	
Collections:		
Inmate collections		\$ 2,507,521
Nursing home resident trust collections		85,814
Bail, restitution, and criminal seizure collections		1,861,455
Escheat collections		219,944
Judicial record collections		50,984,427
Sheriff sale collections		9,384,132
Restitution collections		427,149
Escrow collections		216,532
Total collections		65,686,974
Total additions	92,348,015	65,686,974
DEDUCTIONS		
Employee contributions refunded	950,531	
Retirement benefits paid	42,981,722	
Death benefits paid	253,091	
Administrative expense	53,212	
Payments of inmate funds		2,507,521
Payments of nursing home resident trust funds		85,814
Payments of bail, restitution, and criminal seizure funds		1,861,455
Payments of escheat funds		219,944
Payment of judicial record funds		50,984,427
Payment of sheriff sale funds		9,384,132
Payment of restitution		427,149
Payment of escrow funds		216,532
Total deductions	44,238,556	\$ 65,686,974
Change in net position	48,109,459	
Net position, January 1	545,347,335	
Net position, December 31	\$ 593,456,794	

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, 2023

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-Northampton Airport Authority
- Lehigh and Northampton Transportation Authority
- Lehigh Valley Planning Commission
- Lehigh County Conservation District

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

1. Component Unit - A legally separate organization for which elected officials of the County are financially accountable. This type of entity may then be reported in one of the two following manners:
 - Discrete presentation - Financial data for the component unit is presented in a column separate from that of the County's financial data. There is no such presentation for the County's financial statements.
 - Blended presentation - Financial data for the component unit is presented in the same manner as that of the County's financial data and is reported as part of the County's financial operations. The County's Retirement Fund is presented as a component unit as the County appoints a majority of the board and it is financially dependent upon the County.
2. Joint Venture - A legal entity or other organization that results from a contractual arrangement is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain an ongoing financial interest or an ongoing financial responsibility. There are no such entities included in the County's reporting entity.
3. Related Organization - An organization for which the County is not financially accountable even though the County appoints a voting majority of the organization's governing board.

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

The County Executive is responsible for appointing members of the governing boards of the Lehigh County Authority, Lehigh County General Purpose Authority, Lehigh County Housing Authority, Lehigh County Industrial Development Authority, Lehigh County Redevelopment Authority, Lehigh-Northampton Airport Authority, and Lehigh County Conservation District. 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 2023, the County paid \$651,269 in support of this Commission. The County also supports the Lehigh and Northampton Transportation Authority, which owns and operates a bus transportation system. In 2023, the County provided \$760,617 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, Health Choices Fund, Children and Youth Fund, Cedarbrook Fund, American Rescue Plan Fund, Opioid Settlement Fund, Debt Service Fund, Bond Fund 2019, and Bond Fund 2023.

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

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

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

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

The American Rescue Plan Fund is used to account for the proceeds of the American Rescue Plan grant.

The Opioid Settlement Fund is used to account for the proceeds of Opioid settlement funds.

The Debt Service Fund is used to account for transactions relating to the payment of principal and interest.

The Bond Fund 2019 is used to account for the proceeds of general obligation debt that are restricted to capital asset construction and purchase.

The Bond Fund 2023 is used to account for the proceeds of general obligation debt that are restricted to capital asset construction and purchase.

Proprietary Funds

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

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

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

Enterprise Fund

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

Internal Service Fund

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

Fiduciary Funds

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

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

Cash and Cash Equivalents

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

Investments

The County accounts for its investments at fair value.

Real Estate Taxes

Substantially all real estate taxes are levied annually on April 1 with the face amount due by July 31. Unpaid taxes become delinquent on December 31 in the year of levy. Current year and delinquent tax payments are recognized as revenue in the year received, except for those received within 60 days of year end, which are recognized as revenue as of December 31. The 2023 real estate taxes assessed equaled \$120,006,357 based on a total County valuation of \$31,747,713,000. Based on the 2023 levy of 3.78 mills, a property owner would pay \$3.78 per \$1,000 of assessed valuation.

The dates relevant to the collection of delinquent 2023 real estate taxes are as follows:

July 31, 2024	Notices of unpaid delinquent taxes must be mailed by the County, or its agent.
August 31, 2025	Posting of properties of the pending tax sale (upset sale) to force the recovery of unpaid delinquent taxes, penalties, costs, and interest.
September 1, 2025	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 3, 2025	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, infrastructure assets, and right-to-use 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 (except for intangible right-to-use assets, the measurement of which is discussed in Note 4). Donated fixed assets are recorded at their fair market value on the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized. Depreciation is not recognized for easement assets since they have an indefinite life.

Depreciation is recognized over the estimated useful lives of the assets using the straight-line method. The estimated useful lives are as follows:

Buildings and improvements	15-40 years
Machinery and equipment	5-15 years
Furniture and fixtures	8-15 years
Infrastructure	40 years

Accrued Vacation and Other Compensation

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

Long-term Obligations

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

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

Interfund Transactions

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

Unearned Revenues

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

Pension

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

Postemployment Benefits Other Than Pensions (OPEB)

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

Net Position/Fund Balances

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

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

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

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

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

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

Accounting Estimates

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

Adoption of Governmental Accounting Standards Board (GASB) Statements

The County has adopted the provisions of GASB's Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The adoption of this standard had no effect on previously reported amounts.

The County has adopted the provisions of GASB's Statement No. 96, *Subscription-Based Information Technology Arrangements*. The adoption of this standard had no effect on previously reported amounts.

The County has adopted the provisions of GASB's Statement No. 99, *Omnibus 2022*, related to leases, PPPs, and SBITAs. The adoption of this standard had no effect on previously reported amounts.

Pending Changes in Accounting Principles

The Governmental Accounting Standards Board has issued GASB's Statement No. 99, *Omnibus 2022*. The County is required to adopt requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement No. 99 for the year ending December 31, 2024.

The Governmental Accounting Standards Board has issued GASB's Statement No. 100, *Accounting Changes and Effort Corrections – an amendment of GASB Statement No. 62*. This Statement is required to be adopted by the County for the year ending December 31, 2024.

The Governmental Accounting Standards Board has issued GASB's Statement No. 101, *Compensated Absences*. This Statement is required to be adopted by the County for the year ending December 31, 2024.

The Governmental Accounting Standards Board has issued GASB's Statement No. 102, *Certain Risk Disclosures*. This Statement is required to be adopted by the County for the year ending December 31, 2025.

The Governmental Accounting Standards Board has issued GASB's Statement No. 103, *Financial Reporting Model Improvements*. This Statement is required to be adopted by the County for the year ending December 31, 2026.

NOTE 2 DEPOSITS AND INVESTMENTS

As of December 31, 2023, the County had the following debt investments and maturities within its Employee Retirement Plan Fund:

Investment Type	Investment Maturities (in Years)				
	Fair Value	Less Than 1	1-5	6-10	More Than 10
U.S. government treasuries	\$ 13,379,203	\$ 1,716,762	\$ 4,442,950	\$ 911,669	\$ 6,307,822
U.S. government agencies	46,919,305		67,007	6,430,120	40,422,178
Corporate and foreign bonds	46,703,875	9,918,254	12,982,766	12,001,050	11,801,805
Mortgage/asset backed securities	8,386,089		1,126,231	510,323	6,749,535
Total	\$ 115,388,472	\$ 11,635,016	\$ 18,618,954	\$ 19,853,162	\$ 65,281,340

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, 2023, the County’s fixed income retirement investments had a credit rating as follows:

Credit Quality Rating	Percent of Fixed Income Investments
AAA	5
AA+	23
AA	33
AA-	2
A+	2
A	12
A-	12
BBB+	3
BBB	5
BBB-	3

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

As of December 31, 2023, the County’s cash and restricted cash balances for its governmental funds, proprietary funds and custodial funds were \$305,682,362 and its bank balances were \$315,107,506. The entire bank balance was either insured or collateralized with securities held by the pledging financial institutions, or by their trust departments or agents, but not in the County’s name. The cash and cash equivalents balance in the Employee Retirement Plan Fund was insured up to limits established by the Federal Deposit Insurance Corporation (FDIC). The County had petty cash balances totaling \$34,006 at December 31, 2023.

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

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

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

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

The following tables present the balances of fair value measurement on a recurring basis by level within the hierarchy as of December 31, 2023:

Employees' Retirement Plan Fund

	Level 1	Level 2	Level 3	Total
Debt Securities				
Treasury obligations	\$ 13,379,203			\$ 13,379,203
Agency obligations		\$ 46,919,305		46,919,305
Corporate and foreign bonds		46,703,875		46,703,875
Mortgage/asset backed securities		8,386,089		8,386,089
	<u>13,379,203</u>	<u>102,009,269</u>	<u>\$ 0</u>	<u>115,388,472</u>
Common and Preferred Stocks				
Energy	6,334,799			6,334,799
Materials	8,197,819			8,197,819
Industrials	17,880,347			17,880,347
Consumer discretionary	10,773,935			10,773,935
Consumer staples	4,087,250			4,087,250
Health care	26,440,552			26,440,552
Financials	22,278,910			22,278,910
Information technology	29,274,153			29,274,153
Telecommunication services	7,927,319			7,927,319
Utilities	3,991,513			3,991,513
Real estate	9,981,208			9,981,208
	<u>147,167,805</u>	<u>0</u>	<u>0</u>	<u>147,167,805</u>
Mutual Funds				
Domestic equities	113,163,567			113,163,567
International equities	73,232,343			73,232,343
Commodities	5,840,728			5,840,728
Preferred equity	5,963,190			5,963,190
Short term fixed income	39,580,447			39,580,447
	<u>237,780,275</u>	<u>0</u>	<u>0</u>	<u>237,780,275</u>
Total investments measured by fair value level	<u>\$ 398,327,283</u>	<u>\$ 102,009,269</u>	<u>\$ 0</u>	<u>500,336,552</u>
Investments measured at the net asset value (NAV)				
International long/short hedge fund				33,669,619
Risk arbitrage hedge fund				16,648,388
CEF lending fund				19,828,803
LEM multifamily fund V, L.P.				7,675,321
				<u>77,822,131</u>
Total investments measured at fair value				<u>\$ 578,158,683</u>

Custodial Funds

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Funds				
Domestic equities	\$ 254,730			\$ 254,730
International equities	44,363			44,363
Short term fixed income	314,214			314,214
	<u>613,307</u>	<u>0</u>	<u>0</u>	<u>613,307</u>
Total investments measured at fair value	<u>\$ 613,307</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 613,307</u>

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

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

	<u>Fair Value</u>	<u>Unfunded commitments</u>	<u>Redemption frequency</u>	<u>Redemption notice period</u>
International long/short hedge fund (1)	\$ 33,669,619	N/A	Quarterly	60 days
Risk arbitrage hedge fund (2)	16,648,388	N/A	Monthly	30 days
CEF lending fund (3)	19,828,803	N/A	Semi-annual	90 days
LEM multifamily fund V, L.P. (4)	7,675,321	N/A	N/A	N/A
Total investments measured at the NAV	<u>\$ 77,822,131</u>			

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

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

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

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

NOTE 3 LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations of the County for the year ended December 31, 2023:

	<u>Balance at January 1, 2023</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at December 31, 2023</u>	<u>Amount due within one year</u>
Accrued vacation and other compensation	\$ 15,648,863	\$ 40,139	\$	\$ 15,689,002	
Accrued worker’s compensation	2,580,190	444,206	(580,639)	2,443,757	
Leases	2,332,593		(600,122)	1,732,471	433,242
General obligation bonds payable	115,275,000	62,415,000	(5,965,000)	171,725,000	\$ 6,685,000
Note payable	1,856,690		(779,401)	1,077,289	695,545
Unamortized bond premium/discount	4,932,274	3,326,480	(606,185)	7,652,569	606,185
	<u>\$ 142,625,610</u>	<u>\$ 66,225,825</u>	<u>\$ (8,531,347)</u>	<u>\$ 200,320,088</u>	<u>\$ 8,419,972</u>

Compensated absences and the liability for worker’s compensation self-insurance are liquidated by the General, Health Choices, 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, 2023:

		<u>Amount Due Within One Year</u>
\$16,690,000 2016 General Obligation Bonds, serial bonds due in annual installments of \$5,130,000 to \$5,995,000 through November 15, 2025, interest rate of 4%	\$ 11,440,000	\$ 5,445,000
\$16,230,000 2016 Federally Taxable General Obligation Bonds, serial bonds due in annual installments of \$430,000 to \$900,000 through December 15, 2045, interest rates vary from 2.65% to 4%	14,230,000	445,000
\$13,120,000 2017 Guaranteed Authority Bonds, serial bonds due in annual installments of \$25,000 to \$1,600,000 through December 15, 2037, interest rates vary from 2% to 5%	13,070,000	395,000
\$70,960,000 2019 General Obligation Bonds, serial bonds due in annual installments of \$380,000 to \$3,995,000 through November 15, 2049, interest rates vary from 2.25% to 5%	70,570,000	400,000
\$62,415,000 2023 General Obligation Bonds, serial bonds due in annual installments of \$1,540,000 to \$4,210,000 through November 15, 2048, interest rates vary from 4% to 5%	<u>62,415,000</u>	<u> </u>
Total general obligation bonds payable	<u>171,725,000</u>	<u>6,685,000</u>
\$4,975,756 2009 General Obligation Note, due in quarterly installments of \$103,000 to \$109,000 through September 1, 2024, interest rate of 3.73%	324,000	324,000
\$4,768,538 2010 General Obligation Note, due in annual installments of \$361,401 to \$381,744 through November 15, 2025, interest rates of 3.75% and 5.60%	<u>753,289</u>	<u>371,545</u>
Total notes payable	<u>1,077,289</u>	<u>695,545</u>
Total general obligation bonds and notes payable	<u>\$ 172,802,289</u>	<u>\$ 7,380,545</u>

The annual requirements to amortize all general obligation bonds and notes payable as of December 31, 2023 are as follows:

	<u>Governmental Activities</u>		<u>Internal Service Fund</u>		<u>Total Debt Service</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2024	\$ 7,277,627	\$ 3,728,190	\$ 102,918	\$ 6,122	\$ 7,380,545	\$ 3,734,312	\$ 11,114,857
2025	7,611,002	3,438,907	105,742	3,107	7,716,744	3,442,014	11,158,758
2026	4,435,000	5,982,036			4,435,000	5,982,036	10,417,036
2027	4,695,000	5,765,136			4,695,000	5,765,136	10,460,136
2028	4,970,000	5,542,254			4,970,000	5,542,254	10,512,254
2029-2033	29,280,000	24,143,979			29,280,000	24,143,979	53,423,979
2034-2038	35,410,000	17,992,788			35,410,000	17,992,788	53,402,788
2039-2043	35,470,000	11,755,904			35,470,000	11,755,904	47,225,904
2044-2048	39,450,000	4,976,026			39,450,000	4,976,026	44,426,026
2049	3,995,000	119,850			3,995,000	119,850	4,114,850
	<u>\$172,593,629</u>	<u>\$83,445,070</u>	<u>\$ 208,660</u>	<u>\$ 9,229</u>	<u>\$172,802,289</u>	<u>\$ 83,454,299</u>	<u>\$256,256,588</u>

On October 12, 2023, the County issued \$62,415,000 General Obligation Bonds, Series of 2023. The proceeds of these bonds will be used to provide funds for: (1) the costs relating to the design, planning, acquisition, construction, installation and/or equipping of capital improvement projects of the County including upgrades to the County's 911 Radio System, (2) capitalizing interest on the bonds, and (3) the costs of issuing the bonds. The table above is net of capitalized interest of \$3,114,948 in 2024 and \$2,853,388 in 2025.

NOTE 4 LEASES

Lessor

The County, as the lessor, had entered into a lease with respect to certain land together with the ballpark and related improvements where the tenant, LV Baseball LP, presents home baseball games of the Lehigh Valley IronPigs, a AAA minor league baseball team. The amount of annual rent payable by the tenant was based upon the amount required to pay annually by the County for all installments of principal and interest under certain bond financing that was issued by the County to finance the acquisition, construction, and equipping of the ballpark. An initial lease receivable was recorded in the amount of \$13,853,780. As of December 31, 2023, the value of the lease receivable is \$13,159,939 and the related deferred inflow for future payments expected to be collected on the lease is \$13,159,939. The lessee is required to make annual fixed payments of \$936,700 through 2057. The County recognized lease revenue and interest of \$354,239 and \$582,461, respectively, for the calendar year. For this measurement, the County used the Bond Buyer General Obligation 20-year Municipal Bond Index rate of 4.31%.

Lessee

The County is a lessee for noncancellable leases of building and parking space. The County recognizes an intangible right-to-use lease asset (capital asset) and a lease liability in the government-wide financial statements.

At the commencement of a lease, the lease liability is initially measured at the present value of payments expected to be made during the lease term. For this measurement, the County used the Bond Buyer General Obligation 20-year Municipal Bond Index rate of 4.31%. Subsequently, the lease liability is reduced by the principal portion of lease payments made. In addition, the lease liability related to parking space was reduced by the principal portion of the remaining unamortized prepaid balance of this lease. See Note 13 for additional information related to this lease. The lease asset is initially measured at the initial amount of the lease liability, adjusted for lease payments made at or before the commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

The County monitors changes in circumstance that would require a remeasurement of its leases and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

The annual requirements to amortize leases payable as of December 31, 2023 are as follows:

	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 451,106	\$ 131,806	\$ 582,912
2025	428,340	112,363	540,703
2026	270,978	93,901	364,879
2027	159,068	82,222	241,290
2028	170,912	75,366	246,278
2029-2033	469,657	279,744	749,401
2034-2038	148,468	226,532	375,000
2039-2043	183,342	191,658	375,000
2044-2048	226,407	148,593	375,000
2049-2053	279,590	95,410	375,000
2054-2057	270,264	29,736	300,000
	<u>3,058,132</u>	<u>\$ 1,467,331</u>	<u>\$ 4,525,463</u>
Total prepaid	<u>(1,325,661)</u>		
	<u>\$ 1,732,471</u>		

NOTE 5 INTERFUND TRANSFERS

Certain interfund transfers are executed as a result of the General Fund’s requirement to match a portion of another fund’s expenses or expenditures. In addition, the General Fund receives certain reimbursements from other funds. Interfund transfers to and transfers from each individual fund for the year ended December 31, 2023 are as follows:

Transfer Out:	Transfers In:					Total
	General Fund	Children and Youth Fund	Cedarbrook Fund	Debt Service Fund	Other Governmental Funds	
General Fund		\$4,548,778		\$6,259,870	\$ 9,299,459	\$ 20,108,107
Health Choices Fund	\$ 173,000				812,278	985,278
Children and Youth Fund	153,000				679,105	832,105
Cedarbrook Fund				2,878,573	1,124,683	4,003,256
American Rescue Fund	262,950		\$ 7,000,000		109,160	7,372,110
Bond Fund 2023				5,968,336		5,968,336
Other Governmental Funds	652,019		99,268	509,303		1,260,590
Enterprise Fund				100,737	41,249	141,986
Internal Service Fund	140,000				524	140,524
	<u>\$ 1,380,969</u>	<u>\$4,548,778</u>	<u>\$ 7,099,268</u>	<u>\$ 15,716,819</u>	<u>\$ 12,066,458</u>	<u>\$ 40,812,292</u>

NOTE 6 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2023 was as follows:

Governmental Activities:	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated/amortized:				
Land	\$ 12,333,781			\$ 12,333,781
Easements	<u>30,419,968</u>	\$ 1,552,876		<u>31,972,844</u>
Total capital assets, not being depreciated/amortized	<u>42,753,749</u>	<u>1,552,876</u>	<u>-</u>	<u>44,306,625</u>
Capital assets, being depreciated/amortized:				
Buildings and improvements	330,851,528	7,436,518		338,288,046
Machinery and equipment	83,242,652	5,921,144	\$ (337,849)	88,825,947
Furniture and fixtures	8,988,209	894,129		9,882,338
Infrastructure	76,658,012	69,381		76,727,393
Right-to-use assets	<u>4,250,523</u>			<u>4,250,523</u>
Total capital assets, being depreciated/amortized	<u>503,990,924</u>	<u>14,321,172</u>	<u>(337,849)</u>	<u>517,974,247</u>
Total capital assets, historical cost	<u>546,744,673</u>	<u>15,874,048</u>	<u>(337,849)</u>	<u>562,280,872</u>
Less accumulated depreciation/amortization for:				
Buildings and improvements	(169,959,633)	(7,911,324)		(177,870,957)
Machinery and equipment	(70,971,183)	(5,306,749)	337,849	(75,940,083)
Furniture and fixtures	(8,416,249)	(146,791)		(8,563,040)
Infrastructure	(16,966,927)	(1,872,709)		(18,839,636)
Right-to-use assets	<u>(575,143)</u>	<u>(617,248)</u>		<u>(1,192,391)</u>
Total accumulated depreciation/amortization	<u>(266,889,135)</u>	<u>(15,854,821)</u>	<u>\$ 337,849</u>	<u>(282,406,107)</u>
Total capital assets, net of accumulated depreciation/amortization	<u>\$ 279,855,538</u>	<u>\$ 19,227</u>	<u>-</u>	<u>\$ 279,874,765</u>
Business-type Activities:	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated/amortized:				
Land	\$ 236,533			\$ 236,533
Capital assets, being depreciated/amortized:				
Buildings and improvements	6,826,366	171,818		6,998,184
Machinery and equipment	401,793			401,793
Furniture and fixtures	<u>71,987</u>	<u>12,725</u>		<u>84,712</u>
Total capital assets, being depreciated/amortized	<u>7,300,146</u>	<u>184,543</u>	<u>-</u>	<u>7,484,689</u>
Total capital assets, historical cost	<u>7,536,679</u>	<u>184,543</u>	<u>-</u>	<u>7,721,222</u>
Less accumulated depreciation/amortization for:				
Buildings and improvements	(6,696,680)	\$ (54,156)		(6,750,836)
Machinery and equipment	(400,724)	(1,069)		(401,793)
Furniture and fixtures	<u>(58,703)</u>	<u>(3,737)</u>		<u>(62,440)</u>
Total accumulated depreciation/amortization	<u>(7,156,107)</u>	<u>(58,962)</u>	<u>-</u>	<u>(7,215,069)</u>
Total capital assets, net of accumulated depreciation/amortization	<u>\$ 380,572</u>	<u>\$ 125,581</u>	<u>-</u>	<u>\$ 506,153</u>

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

Governmental activities:	
Elected officials	\$ 363,812
County executive	513,102
Administration	3,546,643
Human services	103,094
General services	6,303,081
Nursing homes	2,017,017
Corrections	2,331,050
Courts	676,724
Development	<u>298</u>
 Total depreciation/amortization expense- governmental activities	 <u>\$15,854,821</u>
 Total depreciation/amortization expense - Business-type activities - enterprise funds	 <u>\$ 58,962</u>

NOTE 7 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 2023 measurement period, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	1,952
Inactive plan members entitled to but not yet receiving benefits	161
Active plan members	<u>1,735</u>
	<u>3,848</u>

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation for the 2023 measurement period (see the discussion of the pension plan's investment policy) are summarized in the following table:

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

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

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

	1% Decrease <u>(6.25%)</u>	Current Discount Rate <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
County’s net pension liability	\$240,739,619	\$153,929,961	\$ 87,143,195

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 2023 measurement period, the active member contribution rate was 5.0 percent of annual pay, and the County average contribution rate was 14.39 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, CBRE Clarion Securities, LLC, CoreCommodity Management CompleteCommodities Strategy Fund, C. S. McKee, LP, Edgar Lomax Company, Emerald Advisers, Inc., Gabelli Associates Limited II E, HCM Cayman Feeder, Ltd., Invesco Equally-Weighted S&P 500 Fund, LEM Multifamily Fund V, L.P., Nuveen Preferred Securities Fund, Payden Limited Maturity Fund, Sustainable Growth Advisors, LP, Vanguard Developed Markets Index Fund, Vanguard 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 2023 measurement period:

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

Changes in the Net Pension Liability

	Increase/(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances as of December 31, 2022	\$ 730,742,890	\$ 545,347,335	\$ 185,395,555
Changes for the Year:			
Service cost	10,149,830		10,149,830
Interest	52,042,222		52,042,222
Differences between expected and actual experience	(1,362,843)		(1,362,843)
Contributions-employer		16,542,956	(16,542,956)
Contributions-member		7,936,960	(7,936,960)
Net investment income		67,866,398	(67,866,398)
Benefit payments, including refunds of member contributions	(44,185,344)	(44,185,344)	-
Plan administrative expenses		(53,212)	53,212
Other changes		1,701	(1,701)
Net changes	16,643,865	48,109,459	(31,465,594)
Balances as of December 31, 2023	\$ 747,386,755	\$ 593,456,794	\$ 153,929,961

Net Pension Liability

The County's net pension liability was measured as of December 31, 2023, 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 2023 measurement period, using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the valuation for the 2023 measurement period were based on past experience under the plan and reasonable future expectations which represent the best estimate of anticipated experience under the plan. An actuarial experience study was performed during 2016; however, no modifications to assumptions were made as a result.

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

For the 2023 measurement period, the County recognized pension expense of \$29,783,221 and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 9,966,528	\$ 1,030,442
Net difference between projected and actual earnings on pension plan investments	36,492,215	-
Changes in assumptions	5,347,786	-
Total	<u>\$ 51,806,529</u>	<u>\$ 1,030,442</u>

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

Year ended:	
2024	\$ 19,235,053
2025	16,735,454
2026	20,645,294
2027	(5,839,714)

For the 2023 measurement period, the County had no outstanding amount of employer contribution to the pension plan required for the year ended December 31, 2023.

NOTE 8 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, 2023, membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	606
Inactive plan members entitled to but not yet receiving benefits	0
Active plan members	7
	<u>613</u>

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

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

Net OPEB Liability and Assumptions

The components of the net OPEB liability were as follows:

Total OPEB liability	\$ 109,334,629
Plan fiduciary net position	<u>0</u>
County's net OPEB liability	<u>\$ 109,334,629</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0%

Actuarial assumptions:

Inflation	2.7 percent
Salary increases	4.0 percent, average, including inflation
Investment rate of return	
Municipal bond rate	4.00%
Healthcare cost trend rates	6.5% from 2023 to 2024, decreasing to an ultimate rate of 4.14% by 2076

Discount rate: The discount rate used to measure the total OPEB liability was 4.00%. This rate is based on the Bond Buyer General Obligation 20-year Municipal Bond Index rate which is the plan's default long-term expected rate of return as the plan has no fiduciary net position available to make projected future benefit payments of plan members.

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

Changes in the Total OPEB Liability

	Total OPEB Liability <u>Increase/(Decrease)</u>
Balances as of December 31, 2022	\$ 103,599,473
Changes for the Year:	
Service Cost	29,815
Interest	4,293,097
Differences Between Expected and Actual Experience	6,099,520
Changes of Assumptions	3,441,388
Benefit Payments	<u>(8,128,664)</u>
Net Changes	<u>5,735,156</u>
Balances as of December 31, 2023	<u>\$ 109,334,629</u>

Changes of assumptions. The discount rate was based on the Bond Buyer General Obligation 20-year Municipal Bond Index. This amount represents the recognition of the change in the discount rate from 4.31% in the prior measurement date (12/31/22) to 4% in the current measurement date (12/31/23). This rate will be reset each measurement period.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the County, calculated using the discount rate of 4 percent, as well as what the County’s total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3 percent) or 1 percentage point higher (5 percent) than the current rate:

	1% Decrease <u>(3%)</u>	Current Discount Rate <u>(4%)</u>	1% Increase <u>(5%)</u>
Total OPEB liability	\$121,828,551	\$109,334,629	\$98,864,771

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the County, calculated using the healthcare cost trend rate of 6.5 percent, as well as what the County’s total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.5 percent) or 1 percentage point higher (7.5 percent) than the current rate:

	1% Decrease <u>(5.5%)</u>	Current Discount Rate <u>(6.5%)</u>	1% Increase <u>(7.5%)</u>
Total OPEB liability	\$97,851,557	\$109,334,629	\$122,861,538

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

For the year ended December 31, 2023, the County recognized OPEB expense of \$13,863,820. At December 31, 2023, there are no reported deferred outflows of resources and deferred inflows of resources related to OPEB.

NOTE 9 RISK MANAGEMENT

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

General Liability and Property Damage

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

Healthcare

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

Worker’s Compensation

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

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

	<u>Change In</u> <u>Incurred Claims</u>			<u>Payments</u>		
	<u>January 1</u>	<u>Current</u>	<u>Prior</u>	<u>Current</u>	<u>Prior</u>	<u>December 31</u>
2022	\$ 2,939,656	\$ 423,644	\$ 286,443	\$ (79,804)	\$ (989,749)	\$ 2,580,190
2023	2,580,190	444,206	(19,872)	(103,044)	(457,723)	2,443,757

During 2023, 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 10 RESTRICTED ASSETS

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

General Fund

Cash restricted for temporarily held balances that are due other parties. \$ 34,665

Health Choices Fund

Cash restricted for claims payable. 10,200,000

Other Governmental Funds

Cash restricted for temporarily held balances that are due to other parties. 313,691

Total Restricted Assets \$ 10,548,356

NOTE 11 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:

<u>Health Choices Fund – Restricted fund balance</u>	
Amounts restricted for the payment of specific grant program expenditures.	<u>\$ 45,584,008</u>
<u>Cedarbrook Fund – Committed fund balance</u>	
Amounts committed for the payment of nursing home expenditures.	<u>\$ 15,658,033</u>
<u>American Rescue Plan Fund – Restricted fund balance</u>	
Amounts restricted for the payment of specific grant program expenditures.	<u>\$ 1,367,488</u>
<u>Opioid Settlement Fund – Restricted fund balance</u>	
Amounts restricted for the payment of specific settlement program expenditures.	<u>\$ 1,673,394</u>
<u>Bond Fund 2019 – Restricted fund balance</u>	
Amounts restricted for capital asset construction and purchase.	<u>\$ 34,578,736</u>
<u>Bond Fund 2023 – Restricted fund balance</u>	
Amounts restricted for capital asset construction and purchase.	<u>\$ 58,147,385</u>
<u>Debt Service Fund – Restricted fund balance</u>	
Amounts restricted for future interest payments for Bond Fund 2023.	<u>\$ 5,996,404</u>
<u>Other Governmental Funds</u>	
<u> Restricted fund balance amounts for:</u>	
The payment of specific grant and fee program expenditures.	\$ 12,243,325
The payment of capital project expenditures.	13,228,542
The required worker’s compensation self-insurance reserve.	5,233,279
	<u>\$ 30,705,146</u>
<u> Committed fund balance amounts for:</u>	
The payment of specific program expenditures.	\$ 17,142,895
General insurance reserve.	350,000
	<u>\$ 17,492,895</u>
<u>Fiduciary Fund – held in trust for pension benefits</u>	
Amounts restricted to Employee Retirement Plan use for future payment of member benefits.	<u>\$ 596,456,794</u>

NOTE 12 COMMITMENTS AND CONTINGENCIES

The County has entered into a variety of construction commitments for the construction of an additional wing at the County nursing home. These commitments totaled \$42,168,120 at December 31, 2023.

The County has entered into subscription-based information technology agreements with various vendors to provide electronic databases and systems as well as administrative storage and operating systems. These agreements are for a maximum term of twelve months or include a provision that either party can terminate with a reasonable amount of notice and, as such, the County has not recorded a liability in the financial statements for these agreements in accordance with GASB 96.

NOTE 13 PARKING SPACE 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, 2023 was \$2,550,000.

NOTE 14 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, 2023 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 15 TAX ABATEMENTS

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

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

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

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

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

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

Information relevant to these programs for the year ended December 31, 2023 is:

<u>Tax Abatement Program</u>	<u>Amount of Taxes Abated during the Year</u>
TIF	\$ 201,534
Clean and Green	2,512,209
Act 515	657,477
Act 4	12,341

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, 2024. This is the date the financial statements were available to be issued. No material events subsequent to December 31, 2023 were noted.

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Actuarially determined contribution	\$ 10,265,444	\$ 10,711,406	\$ 11,156,406	\$ 12,078,974	\$ 12,378,575	\$ 13,904,933	\$ 14,787,937	\$ 15,428,830	\$ 15,472,640	\$ 16,542,956
Contributions in relation to the actuarially determined contribution	<u>10,265,444</u>	<u>10,711,406</u>	<u>11,156,406</u>	<u>12,078,974</u>	<u>12,378,575</u>	<u>13,904,933</u>	<u>14,787,937</u>	<u>15,428,830</u>	<u>15,472,640</u>	<u>16,542,956</u>
Contribution deficiency (excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Covered-employee payroll	\$ 108,186,851	\$ 102,995,368	\$ 103,664,965	\$ 107,362,273	\$ 108,523,831	\$ 111,184,732	\$ 116,386,733	\$ 116,139,278	\$ 116,491,748	\$ 114,966,795
Contributions as a percentage of covered-employee payroll	9.49%	10.40%	10.76%	11.25%	11.41%	12.51%	12.71%	13.28%	13.28%	14.39%

Notes to Schedule

Valuation date: January 1, 2014 January 1, 2015 January 1, 2016 January 1, 2017 January 1, 2018 January 1, 2019 January 1, 2020 January 1, 2021 January 1, 2022 January 1, 2023

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

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total pension liability										
Service cost	\$ 11,310,997	\$ 10,790,875	\$ 10,874,331	\$ 11,111,378	\$ 10,183,476	\$ 10,701,663	\$ 9,981,889	\$ 10,012,272	\$ 10,157,820	\$ 10,149,830
Interest	35,900,234	37,573,900	38,883,632	40,358,181	42,015,619	43,285,669	46,744,925	48,711,067	50,862,972	52,042,222
Differences between expected and actual experience	385,509	3,615,214	(629,408)	2,368,139	1,979,167	(1,225,450)	3,008,555	9,747,237	12,467,989	(1,362,843)
Changes of assumptions	0	0	0	0	0	0	48,130,058	0	0	0
Benefit payments, including refunds of member contributions	<u>(27,050,997)</u>	<u>(29,127,092)</u>	<u>(31,495,895)</u>	<u>(33,771,831)</u>	<u>(33,628,192)</u>	<u>(35,521,690)</u>	<u>(38,084,169)</u>	<u>(40,732,626)</u>	<u>(42,611,098)</u>	<u>(44,185,344)</u>
Net change in total pension liability	20,545,743	22,852,897	17,632,660	20,065,867	20,550,070	17,240,192	69,781,258	27,737,950	30,877,683	16,643,865
Total pension liability - beginning	<u>483,458,570</u>	<u>504,004,313</u>	<u>526,857,210</u>	<u>544,489,870</u>	<u>564,555,737</u>	<u>585,105,807</u>	<u>602,345,999</u>	<u>672,127,257</u>	<u>699,865,207</u>	<u>730,742,890</u>
Total pension liability - ending (a)	<u>\$ 504,004,313</u>	<u>\$ 526,857,210</u>	<u>\$ 544,489,870</u>	<u>\$ 564,555,737</u>	<u>\$ 585,105,807</u>	<u>\$ 602,345,999</u>	<u>\$ 672,127,257</u>	<u>\$ 699,865,207</u>	<u>\$ 730,742,890</u>	<u>\$ 747,386,755</u>
Plan fiduciary net position										
Contributions - employer	\$ 10,265,444	\$ 10,711,406	\$ 11,156,406	\$ 12,078,974	\$ 12,378,575	\$ 13,904,933	\$ 14,787,937	\$ 15,428,830	\$ 15,472,640	\$ 16,542,956
Contributions - member	6,294,826	6,138,640	6,267,603	6,442,846	6,683,134	7,066,540	7,245,394	7,309,090	7,667,103	7,936,960
Net investment income	25,991,473	(1,731,653)	27,008,272	66,562,661	(24,971,254)	87,297,937	61,437,329	77,951,396	(84,563,901)	67,866,398
Benefit payments, including refunds of member contributions	(27,050,997)	(29,127,092)	(31,495,895)	(33,771,831)	(33,628,192)	(35,521,690)	(38,084,169)	(40,732,626)	(42,611,098)	(44,185,344)
Administrative expense	(46,798)	(57,934)	(36,875)	(41,375)	(39,414)	(51,197)	(41,891)	(53,511)	(55,737)	(53,212)
Other	<u>23,158</u>	<u>23,903</u>	<u>180,093</u>	<u>9,749</u>	<u>8,578</u>	<u>2,872</u>	<u>1,688</u>	<u>7,967</u>	<u>11,574</u>	<u>1,701</u>
Net change in plan fiduciary net position	15,477,106	(14,042,730)	13,079,604	51,281,024	(39,568,573)	72,699,395	45,346,288	59,911,146	(104,079,419)	48,109,459
Plan fiduciary net position - beginning	<u>\$ 445,243,494</u>	<u>\$ 460,720,600</u>	<u>\$ 446,677,870</u>	<u>\$ 459,757,474</u>	<u>\$ 511,038,498</u>	<u>\$ 471,469,925</u>	<u>\$ 544,169,320</u>	<u>\$ 589,515,608</u>	<u>\$ 649,426,754</u>	<u>\$ 545,347,335</u>
Plan fiduciary net position - ending (b)	<u>\$ 460,720,600</u>	<u>\$ 446,677,870</u>	<u>\$ 459,757,474</u>	<u>\$ 511,038,498</u>	<u>\$ 471,469,925</u>	<u>\$ 544,169,320</u>	<u>\$ 589,515,608</u>	<u>\$ 649,426,754</u>	<u>\$ 545,347,335</u>	<u>\$ 593,456,794</u>
County's net pension liability - ending (a) - (b)	<u>\$ 43,283,713</u>	<u>\$ 80,179,340</u>	<u>\$ 84,732,396</u>	<u>\$ 53,517,239</u>	<u>\$ 113,635,882</u>	<u>\$ 58,176,679</u>	<u>\$ 82,611,649</u>	<u>\$ 50,438,453</u>	<u>\$ 185,395,555</u>	<u>\$ 153,929,961</u>
Plan fiduciary net position as a percentage of the total pension liability	91.41%	84.78%	84.44%	90.52%	80.58%	90.34%	87.71%	92.79%	74.63%	79.40%
Covered-employee payroll	\$ 108,186,851	\$ 102,995,368	\$ 103,664,965	\$ 107,362,273	\$ 108,523,831	\$ 111,184,732	\$ 116,386,733	\$ 116,139,278	\$ 116,491,748	\$ 114,966,795
County's net pension liability as a percentage of covered-employee payroll	40.01%	77.85%	81.74%	49.85%	104.71%	52.32%	70.98%	43.43%	159.15%	133.89%

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

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Total OPEB liability							
Service cost	\$ 88,566	\$ 85,538	\$ 90,051	\$ 141,357	\$ 148,666	\$ 155,485	\$ 29,815
Interest	5,686,611	5,289,675	5,147,814	3,514,337	3,065,171	2,738,323	4,293,097
Differences between expected and actual experience	0	(25,744,240)	(11,805,829)	(3,269,346)	(7,065,534)	(2,466,697)	6,099,520
Changes of assumptions	7,003,028	1,326,685	18,313,136	24,197,558	1,216,105	(26,043,410)	3,441,388
Benefit payments, including refunds of member contributions	<u>(9,568,018)</u>	<u>(9,580,129)</u>	<u>(9,395,139)</u>	<u>(8,139,163)</u>	<u>(8,386,107)</u>	<u>(8,368,474)</u>	<u>(8,128,664)</u>
Net change in total OPEB liability	3,210,187	(28,622,471)	2,350,033	16,444,743	(11,021,699)	(33,984,773)	5,735,156
Total OPEB liability - beginning	<u>155,223,453</u>	<u>158,433,640</u>	<u>129,811,169</u>	<u>132,161,202</u>	<u>148,605,945</u>	<u>137,584,246</u>	<u>103,599,473</u>
Total OPEB liability - ending (a)	<u>\$ 158,433,640</u>	<u>\$ 129,811,169</u>	<u>\$ 132,161,202</u>	<u>\$ 148,605,945</u>	<u>\$ 137,584,246</u>	<u>\$ 103,599,473</u>	<u>\$ 109,334,629</u>
Covered-employee payroll	*	\$ 2,214,640	\$ 1,863,905	\$ 1,731,832	\$ 1,337,279	\$ 858,479	\$ 699,513
County's total OPEB liability as a percentage of covered-employee payroll	*	5861.50%	7090.55%	8580.85%	10288.37%	12067.79%	15630.11%

Data prior to 2017 is not available.

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

Changes of assumptions. The discount rate was based on the Bond Buyer General Obligation 20-year Municipal Bond Index. This amount represents the recognition of the change in the discount rate from 4.31% in the prior measurement date (12/31/22) to 4% in the current measurement date (12/31/23). 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, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES				
Taxes	\$ 117,483,172	\$ 117,483,172	\$ 118,302,113	\$ 818,941
Grants and reimbursements	5,337,634	18,378,659	16,753,461	(1,625,198)
Departmental earnings	13,309,183	13,586,207	11,672,939	(1,913,268)
Costs and fines	3,746,203	3,746,203	3,563,420	(182,783)
Investment income	860,002	2,394,211	3,033,271	639,060
Rents	425,836	425,836	393,288	(32,548)
Payments in lieu of taxes	174,000	174,000	168,663	(5,337)
Other revenues	133,492	152,374	219,820	67,446
Total revenues	<u>141,469,522</u>	<u>156,340,662</u>	<u>154,106,975</u>	<u>(2,233,687)</u>
EXPENDITURES				
Current:				
Elected officials	26,995,977	29,043,399	27,916,404	(1,126,995)
County executive	5,410,425	7,696,942	5,727,845	(1,969,097)
Administration	23,662,092	24,740,038	24,233,469	(506,569)
Human services	282,953	2,712,689	2,708,246	(4,443)
General services	9,046,360	9,668,188	9,544,384	(123,804)
Corrections	34,624,242	34,681,616	33,594,496	(1,087,120)
Department of law	1,439,972	1,482,433	1,374,707	(107,726)
Courts	29,988,580	31,371,793	31,035,374	(336,419)
Development	1,299,619	9,900,417	8,983,623	(916,794)
Total expenditures	<u>132,750,220</u>	<u>151,297,515</u>	<u>145,118,548</u>	<u>(6,178,967)</u>
Excess of revenues over expenditures	<u>8,719,302</u>	<u>5,043,147</u>	<u>8,988,427</u>	<u>3,945,280</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	1,079,001	1,530,031	1,518,007	(12,024)
Indirect cost allocation in	14,802,826	14,802,826	14,801,826	(1,000)
Operating transfers out	(19,378,200)	(24,201,586)	(20,292,731)	3,908,855
Indirect cost allocation out	(5,381,803)	(5,381,803)	(5,381,803)	0
Total other financing sources (uses)	<u>(8,878,176)</u>	<u>(13,250,532)</u>	<u>(9,354,701)</u>	<u>3,895,831</u>
Net change in fund balances	(158,874)	(8,207,385)	(366,274)	7,841,111
Fund balance, January 1	<u>30,000,000</u>	<u>38,021,214</u>	<u>38,027,594</u>	<u>6,380</u>
Fund balance, December 31	<u>\$ 29,841,126</u>	<u>\$ 29,813,829</u>	<u>\$ 37,661,320</u>	<u>\$ 7,847,491</u>

COUNTY OF LEHIGH, PENNSYLVANIA

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (Cash Basis) and Actual - Health Choices Fund
For the Year Ended December 31, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES				
Taxes				
Grants and reimbursements	\$ 146,872,304	\$ 146,872,304	\$ 143,453,575	\$ (3,418,729)
Departmental earnings				
Costs and fines				
Investment income	50,001	50,001	1,311,841	1,261,840
Rents				
Payments in lieu of taxes				
Other revenues				
Total revenues	<u>146,922,305</u>	<u>146,922,305</u>	<u>144,765,416</u>	<u>(2,156,889)</u>
EXPENDITURES				
Current:				
Elected officials				
County executive				
Administration				
Human services	148,363,422	151,065,031	139,378,946	(11,686,085)
General services				
Nursing homes				
Corrections				
Department of law				
Courts				
Development				
Total expenditures	<u>148,363,422</u>	<u>151,065,031</u>	<u>139,378,946</u>	<u>(11,686,085)</u>
Excess of revenues over (under) expenditures	<u>(1,441,117)</u>	<u>(4,142,726)</u>	<u>5,386,470</u>	<u>9,529,196</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers out	(1,004,545)	(1,049,972)	(985,278)	64,694
Indirect cost allocation out	<u>(250,132)</u>	<u>(250,132)</u>	<u>(250,132)</u>	<u>0</u>
Total other financing sources (uses)	<u>(1,254,677)</u>	<u>(1,300,104)</u>	<u>(1,235,410)</u>	<u>64,694</u>
Net change in fund balances	(2,695,794)	(5,442,830)	4,151,060	9,593,890
Fund balance, January 1	30,000,000	30,345,147	39,044,546	8,699,399
Fund balance, December 31	<u>\$ 27,304,206</u>	<u>\$ 24,902,317</u>	<u>\$ 43,195,606</u>	<u>\$ 18,293,289</u>

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, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES				
Taxes				
Grants and reimbursements	\$ 30,763,291	\$ 33,096,350	\$ 24,461,259	\$ (8,635,091)
Departmental earnings	2,000	2,000		(2,000)
Costs and fines				
Investment income	2	2	323,713	323,711
Rents				
Payments in lieu of taxes				
Other revenues	2,000	77,000	179,824	102,824
Total revenues	<u>30,767,293</u>	<u>33,175,352</u>	<u>24,964,796</u>	<u>(8,210,556)</u>
EXPENDITURES				
Current:				
Elected officials				
County executive				
Administration				
Human services	33,571,028	35,908,147	35,110,460	(797,687)
General services				
Nursing homes				
Corrections				
Department of law				
Courts				
Development				
Total expenditures	<u>33,571,028</u>	<u>35,908,147</u>	<u>35,110,460</u>	<u>(797,687)</u>
Excess of revenues over (under) expenditures	<u>(2,803,735)</u>	<u>(2,732,795)</u>	<u>(10,145,664)</u>	<u>(7,412,869)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	4,548,778	4,548,778	4,548,778	0
Operating transfers out	(879,143)	(954,143)	(832,105)	122,038
Indirect cost allocation out	<u>(865,900)</u>	<u>(865,900)</u>	<u>(865,900)</u>	<u>0</u>
Total other financing sources (uses)	<u>2,803,735</u>	<u>2,728,735</u>	<u>2,850,773</u>	<u>122,038</u>
Net change in fund balances	0	(4,060)	(7,294,891)	(7,290,831)
Fund balance, January 1	<u>0</u>	<u>4,060</u>	<u>(4,332,259)</u>	<u>(4,336,319)</u>
Fund balance, December 31	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (11,627,150)</u>	<u>\$ (11,627,150)</u>

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, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES				
Taxes				
Grants and reimbursements	\$ 89,113,798	\$ 110,533,727	\$ 103,861,154	\$ (6,672,573)
Departmental earnings	7,499,319	7,543,819	8,183,703	639,884
Costs and fines				
Investment income	5,078	5,578	535,917	530,339
Rents	18,000	18,000	20,104	2,104
Payments in lieu of taxes				
Other revenues	5,402	10,402	9,361	(1,041)
Total revenues	<u>96,641,597</u>	<u>118,111,526</u>	<u>112,610,239</u>	<u>(5,501,287)</u>
EXPENDITURES				
Current:				
Elected officials				
County executive				
Administration				
Human services				
General services				
Nursing homes	85,682,871	112,120,682	102,645,788	(9,474,894)
Corrections				
Department of law				
Courts				
Development				
Total expenditures	<u>85,682,871</u>	<u>112,120,682</u>	<u>102,645,788</u>	<u>(9,474,894)</u>
Excess of revenues over (under) expenditures	<u>10,958,726</u>	<u>5,990,844</u>	<u>9,964,451</u>	<u>3,973,607</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	240,000	7,240,000	7,099,268	(140,732)
Operating transfers out	(3,883,450)	(6,640,089)	(4,003,256)	2,636,833
Indirect cost allocation out	<u>(5,317,856)</u>	<u>(5,317,856)</u>	<u>(5,317,856)</u>	<u>0</u>
Total other financing sources (uses)	<u>(8,961,306)</u>	<u>(4,717,945)</u>	<u>(2,221,844)</u>	<u>2,496,101</u>
Net change in fund balances	1,997,420	1,272,899	7,742,607	6,469,708
Fund balance, January 1	<u>0</u>	<u>3,781,333</u>	<u>4,813,119</u>	<u>1,031,786</u>
Fund balance, December 31	<u>\$ 1,997,420</u>	<u>\$ 5,054,232</u>	<u>\$ 12,555,726</u>	<u>\$ 7,501,494</u>

COUNTY OF LEHIGH, PENNSYLVANIA

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (Cash Basis) and Actual - American Rescue Plan Fund
For the Year Ended December 31, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES				
Taxes				
Grants and reimbursements	\$ 35,867,848	\$ 35,867,848	\$ 0	\$ (35,867,848)
Departmental earnings				
Costs and fines				
Investment income	2	2	1,104,540	1,104,538
Rents				
Payments in lieu of taxes				
Other revenues				
Total revenues	<u>35,867,850</u>	<u>35,867,850</u>	<u>1,104,540</u>	<u>(34,763,310)</u>
EXPENDITURES				
Current:				
Elected officials				
County executive				
Administration	25,175,000	60,255,220	6,813,808	(53,441,412)
Human services				
General services				
Nursing homes				
Corrections				
Department of law				
Courts				
Development				
Total expenditures	<u>25,175,000</u>	<u>60,255,220</u>	<u>6,813,808</u>	<u>(53,441,412)</u>
Excess of revenues over (under) expenditures	<u>10,692,850</u>	<u>(24,387,370)</u>	<u>(5,709,268)</u>	<u>18,678,102</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in				
Operating transfers out		(7,380,950)	(7,372,110)	8,840
Indirect cost allocation out				
Total other financing sources (uses)	<u>0</u>	<u>(7,380,950)</u>	<u>(7,372,110)</u>	<u>8,840</u>
Net change in fund balances	10,692,850	(31,768,320)	(13,081,378)	18,686,942
Fund balance, January 1	<u>0</u>	<u>35,343,170</u>	<u>46,036,014</u>	<u>10,692,844</u>
Fund balance, December 31	<u>\$ 10,692,850</u>	<u>\$ 3,574,850</u>	<u>\$ 32,954,636</u>	<u>\$ 29,379,786</u>

COUNTY OF LEHIGH, PENNSYLVANIA

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (Cash Basis) and Actual - Opioid Settlement Fund
For the Year Ended December 31, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES				
Taxes				
Grants and reimbursements				
Departmental earnings	\$ 0	\$ 1,082,854	\$ 2,446,130	\$ 1,363,276
Costs and fines				
Investment income	0	2	55,593	55,591
Rents				
Payments in lieu of taxes				
Other revenues				
Total revenues	<u>0</u>	<u>1,082,856</u>	<u>2,501,723</u>	<u>1,418,867</u>
EXPENDITURES				
Current:				
Elected officials				
County executive				
Administration		1,565,697	824,672	(741,025)
Human services				
General services				
Nursing homes				
Corrections				
Department of law				
Courts				
Development				
Total expenditures	<u>0</u>	<u>1,565,697</u>	<u>824,672</u>	<u>(741,025)</u>
Excess of revenues over (under) expenditures	<u>0</u>	<u>(482,841)</u>	<u>1,677,051</u>	<u>2,159,892</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in				0
Operating transfers out				0
Indirect cost allocation out				0
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balances	0	(482,841)	1,677,051	2,159,892
Fund balance, January 1	<u>0</u>	<u>482,841</u>	<u>487,694</u>	<u>4,853</u>
Fund balance, December 31	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,164,745</u>	<u>\$ 2,164,745</u>

COUNTY OF LEHIGH, PENNSYLVANIA
Adjustments to Reconcile GAAP Basis to Budgetary Basis - Opioid Settlement Fund
For the Year Ended December 31, 2023

	Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	Fund Balance at End of Year
GAAP Basis	\$ 463,798	\$ 1,673,394
Increase (Decrease):		
Due to revenues:		
Received in cash during the year but accrued as receivables (net of unearned revenues) at December 31, 2022	1,082,853	
Accrued as receivables (net of unearned revenues) at December 31, 2023 but not recognized in budget	0	0
Due to expenditures:		
Paid in cash during the year but accrued as liabilities at December 31, 2022	(360,951)	
Accrued as liabilities at December 31, 2023 but not recognized in budget	491,351	491,351
Budgetary Basis	\$ 1,677,051	\$ 2,164,745