

*County of Lehigh,
Pennsylvania*

December 31, 2013

*Financial Statements
and Independent Auditors' Report*

County of Lehigh
Year Ended December 31, 2013

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Lehigh, Pennsylvania (the County) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Auditor's Responsibility (continued)

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Lehigh, Pennsylvania as of December 31, 2013 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

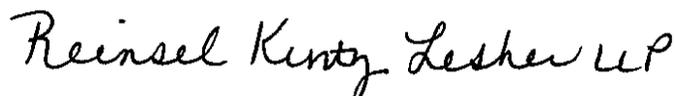
Accounting principles generally accepted in the United States of America require that management's discussion and analysis and budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the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

Other

As explained in Note 1, the County adopted Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2014 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.



June 25, 2014
Lancaster, Pennsylvania

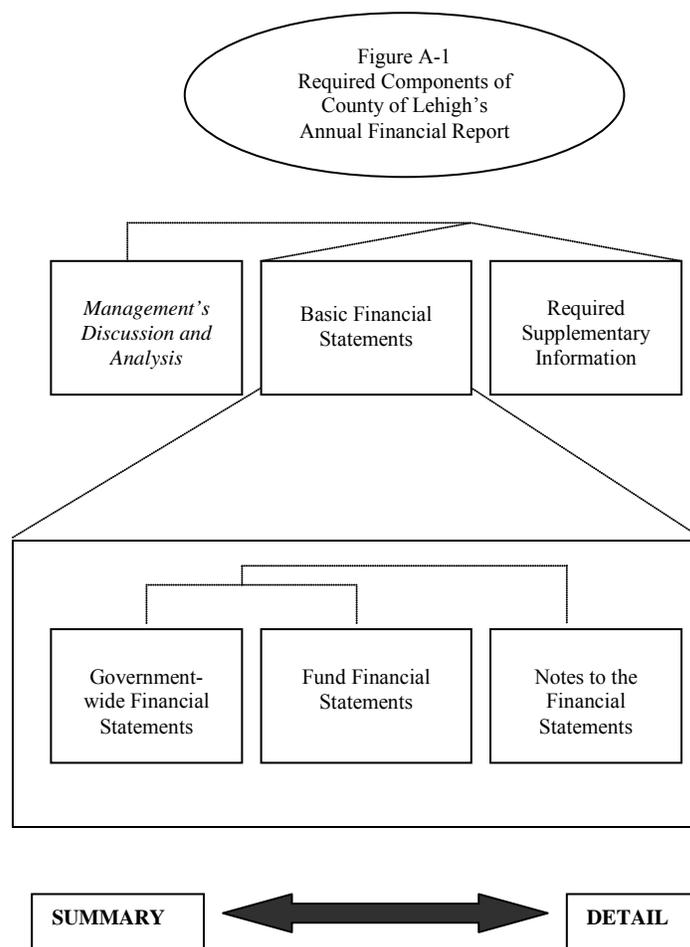
MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the County of Lehigh's annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year that ended on December 31, 2013. 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 and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. The two government-wide statements report the County’s *net position* and how it has changed. Net position - the difference between the County’s assets and liabilities including deferred inflows and outflows – is a way to measure the County’s financial health, *or position*. Over time, increases or decreases in the County’s net position is an indicator of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the County you need to consider additional nonfinancial factors such as changes in the County’s property tax base and the anticipated level of funding from the federal and state governments.

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

Fund Financial Statements

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

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

The County has three kinds of funds:

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

Government-wide Financial Analysis

The County's assets exceeded liabilities by approximately \$152.7 million at the close of the 2013 fiscal year. The following is a condensed summary of net position for the years 2012 and 2013:

County of Lehigh's Net Position

	Total Governmental Activities		Total Business - Type Activities		Total	
	2012	2013	2012	2013	2012	2013
Current and other assets	\$ 156,139,675	\$ 155,486,703	\$ 1,294,739	\$ 940,649	\$ 157,434,414	\$ 156,427,352
Capital assets	244,328,773	243,652,639	902,019	1,098,447	245,230,792	244,751,086
Total Assets	<u>400,468,448</u>	<u>399,139,342</u>	<u>2,196,758</u>	<u>2,039,096</u>	<u>402,665,206</u>	<u>401,178,438</u>
General obligation bonds and notes payable	167,270,533	154,481,675			167,270,533	154,481,675
Other liabilities	89,734,982	93,913,480	106,535	121,455	89,841,517	94,034,935
Total Liabilities	<u>257,005,515</u>	<u>248,395,155</u>	<u>106,535</u>	<u>121,455</u>	<u>257,112,050</u>	<u>248,516,610</u>
Net Position:						
Net investment in capital assets	81,782,408	96,099,991	902,019	1,098,447	82,684,427	97,198,438
Restricted	54,391,979	60,044,266			54,391,979	60,044,266
Unrestricted	7,288,546	(5,400,070)	1,188,204	819,194	8,476,750	(4,580,876)
Total Net Position	<u>\$ 143,462,933</u>	<u>\$ 150,744,187</u>	<u>\$ 2,090,223</u>	<u>\$ 1,917,641</u>	<u>\$ 145,553,156</u>	<u>\$ 152,661,828</u>

Current and other assets decreased \$1 million largely due to the elimination of the unamortized bond issuance costs asset as required by the Government Accounting Standards Board (GASB). Net capital assets decreased \$.5 million due to the net of \$11.2 million in capital asset purchases and \$11.6 million in net current year accumulated depreciation. See Note 5 on page 37 for additional capital asset information.

General obligation bonds and notes payable decreased \$12.8 million due to current year principal payments. See Note 3 on Page 34 for additional information concerning the County's long-term debt.

Other liabilities increased \$4.2 million due to the net of:

- An increase in accounts payable of \$2.8 million resulting from the delayed timing of payments for Cedarbrook Fund food services and physical therapy services. Also, Mental Health Fund payments were delayed as contracts were in the process of being bid.
- An increase in unearned grant revenue of \$1.7 million due to claim utilization in the Health Choices Fund.
- A decrease in unamortized bond premium of \$1.4 million resulting from the annual amortization of this balance.
- An increase in unfunded postemployment benefits other than pensions of \$.5 million. See Note 7 on page 40 for additional information concerning postemployment benefits other than pensions.

Net investment in capital assets increased \$14.5 million due to the net of a decrease in net capital assets of \$.5 million noted above, principal payments on general obligation bonds and notes payable totaling \$12.8 million, and the amortization of bond premium totaling \$1.4 million. Restricted net position increased \$5.7 million largely due to the reclassification of the Green Futures Fund to the Special Revenue Funds. See Footnote 14 on page 46 for additional information concerning the reclassification of the Green Futures Fund. Unrestricted net position decreased \$13.1 million largely due to the increase of \$.5 million in postemployment benefits other than pensions, a decrease in Internal Service Fund unreserved balances of \$1.8 million and a decrease in General Fund unreserved balances of \$9.9 million. The General Fund decreased \$4.3 million as a result of the reclassification of the Green Futures Fund to the Special Revenue Funds as noted above and \$5.6 million due to continued tightening budgetary constraints.

Changes in Net Position:

The following is a summary of the key elements comprising the changes in net position for the years 2012 and 2013.

County of Lehigh's Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>
Revenues:						
Program revenue:						
Charges for services	\$ 30,107,563	\$ 30,640,763	\$ 1,010,060	\$ 1,045,749	\$ 31,117,623	\$ 31,686,512
Operating grants and contributions	220,846,779	218,301,593			220,846,779	218,301,593
General revenues:						
Property taxes	104,455,881	102,958,966			104,455,881	102,958,966
Unrestricted investment earnings	309,979	408,904	2,611	2,529	312,590	411,433
Transfers	108,966	172,963	(108,966)	(172,963)		
Total revenues	355,829,168	352,483,189	903,705	875,315	356,732,873	353,358,504
Expenses:						
Elected officials	22,579,046	23,129,296			22,579,046	23,129,296
County executive	4,430,756	4,469,673			4,430,756	4,469,673
Administration	15,091,467	13,726,701			15,091,467	13,726,701
Human services	143,377,207	128,279,488	1,045,337	1,047,897	144,422,544	129,327,385
General services	15,437,966	15,321,917			15,437,966	15,321,917
Nursing homes	66,887,041	68,338,378			66,887,041	68,338,378
Corrections	35,395,899	36,029,147			35,395,899	36,029,147
Department of law	21,065	132,459			21,065	132,459
Courts	35,717,770	35,827,929			35,717,770	35,827,929
Development	9,488,266	11,924,289			9,488,266	11,924,289
Interest on long-term debt	8,422,768	8,022,658			8,422,768	8,022,658
Total expenses	356,849,251	345,201,935	1,045,337	1,047,897	357,894,588	346,249,832
Changes in Net Position	(1,020,083)	7,281,254	(141,632)	(172,582)	(1,161,715)	7,108,672
Beginning Net Position	144,483,016	143,462,933	2,231,855	2,090,223	146,714,871	145,553,156
Ending Net Position	\$143,462,933	\$150,744,187	\$ 2,090,223	\$ 1,917,641	\$145,553,156	\$152,661,828

The County's total revenues decreased \$3.4 million to \$353.4 million due to:

- A decrease in property tax revenue of \$1.5 million. A one-time expiring tax credit was authorized for 2012 totaling \$4,370,000 for taxpayers whose taxes are paid in full by the end of the year. It was calculated on a pro rata basis across the classes of all taxable properties. Properties in Lehigh County were reassessed in 2013 resulting in a tax millage adjustment from 11.90 mills in 2012 to 3.79 mills in 2013 comprised of a revenue neutral calculation less a \$3 million tax reduction. In addition, a one-time expiring tax credit was authorized for 2013 totaling \$3,500,000 for taxpayers whose taxes are paid in full by the end of the year.
- A decrease in operating grants and contributions of \$2.5 million due to a decrease in the Area Agency on Aging Fund Title XX grants of \$9.5 million resulting from a change in the pass-through procedures for those grants, a decrease in the Intellectual Disabilities Fund of \$1 million due to the outsourcing of case management services, an increase in the Liquid Fuels Fund of \$6 million due to reimbursements for continued bridge reconstruction, and an increase in state funded RACP of \$1.7 million.

The County's expenditures totaled \$346.2 million. The Human Services and Nursing Homes functions comprise 57% of the total expenditures. The Corrections and Courts functions comprise 21% of the total expenditures. Human Services expenditures decreased \$15.1 million largely due to a change in the pass-through procedures for Title XX grants for the Area Agency on Aging Fund.

Financial Analysis of the Governmental Funds

The County's governmental funds combined fund balances were \$106.7 million, which is a \$3.6 million decrease from the prior year. The primary reasons for this decrease in fund balances were:

- The General Fund decreased \$5.6 million as tightened budgetary constraints resulted in reduced favorable budgetary variations.
- The Health Choices Fund increased \$1.9 million. These funds are restricted for the payment of specific program expenditures.
- The Cedarbrook Fund increased \$1.4 million largely due to an increase in Medical Assistance Day One receivables resulting from a delay in funding from the DPW.
- Bond Fund 2007 decreased \$.6 largely due to the construction of a medicolegal facility and the continuation of the renovation of the men's community correction center. Remaining funds are restricted for future capital asset construction and purchase.

General Fund Budgetary Highlights

Original vs. Final Budget

Differences between the original adopted budget and the final amended budget of revenues in the General Fund resulted in a net increase of \$11.7 million, or 9.5 percent. This increase is largely due to an increase in the Grants and Reimbursements budget from \$6.5 million to \$16.2 million which is the result of revisions for several Redevelopment Assistance Capital Program (RACP) projects which were not originally budgeted and are funded by state grant revenues.

Differences between the original adopted budget and the final amended budget of expenditures in the General Fund resulted in a net increase of \$10.5 million, or 9.3 percent. This increase is largely due to an increase in the Development expenditure budget from \$1 million to \$10.1 million which is the result of revisions for several RACP projects noted above.

Overall variance in net other financing sources / (uses) of \$3.8 million is largely due to anticipated capital asset activity that did not occur. Such projects are not funded through debt borrowings. Funding of these projects is achieved through transfers from individual funds to the Other Capital Projects Fund.

Capital Assets

The following is a schedule of the County's capital assets as of December 31, 2012 and December 31, 2013:

County of Lehigh's Capital Assets

	Total Governmental Activities		Total Business-Type Activities		Total	
	2012	2013	2012	2013	2012	2013
Land	\$ 12,204,235	\$ 12,240,981	\$ 236,533	\$ 236,533	\$ 12,440,768	\$ 12,477,514
Buildings and improvements	182,292,362	177,311,092	539,439	796,331	182,831,801	178,107,423
Machinery and equipment	7,792,654	5,804,557	113,197	54,783	7,905,851	5,859,340
Furniture and Fixtures	2,843,615	2,330,812	12,850	10,800	2,856,465	2,341,612
Easements	19,502,326	19,529,310			19,502,326	19,529,310
Infrastructure	19,693,581	26,435,887			19,693,581	26,435,887
Total	\$ 244,328,773	\$ 243,652,639	\$ 902,019	\$ 1,098,447	\$ 245,230,792	\$ 244,751,086

Noteworthy capital asset purchases/projects that took place in 2013 were as follows:

- \$4 million - Cedar View community room renovations
- \$7.5 million - Major bridge reconstruction
- \$4 million - 911 center infrastructure upgrade
- \$1.1 million - Drug and alcohol detoxification and rehabilitation facility construction

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

Debt Administration

At year-end the County had \$146.6 million in general obligation bonds and \$7.8 million in general obligation notes outstanding. More detailed information about the County's long-term liabilities is presented in Note 3 on Page 34.

The County's general obligation debt has been rated as Aa1 by Moody's Investor Services and AA by Standard and Poor's due to the County's stable financial position. The AA rating from Standard and Poor's is an upgrade from the previous rating of AA-.

State statutes limit the amount of general obligation debt a governmental entity may issue. The current debt limitation for the County of Lehigh is \$533 million as stated within the official statement of the County's most recent bond issuance, which is significantly in excess of the County's outstanding general obligation debt.

Economic Factors and Next Year's Budgets and Rates

- Unemployment in Lehigh County was 6.5 percent compared to the state's rate of 6.8 percent and the national rate of 6.7 percent.
- Northeast region 2013 inflation was 1.3 percent.

These indicators were taken into account when adopting the general fund budget for 2014.

Property tax millage for 2014 is the same as 2013 which is 3.79 mills. A one-time expiring tax credit was not authorized for 2014.

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, 2013

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 123,357,698	\$ 939,872	\$ 124,297,570
Receivables:			
Grants	15,387,633		15,387,633
Real estate taxes	4,033,184		4,033,184
Other	2,220,320	777	2,221,097
Other	3,313,760		3,313,760
Cash and cash equivalents - restricted	7,174,108		7,174,108
Capital assets, not being depreciated	31,770,291	236,533	32,006,824
Capital assets (net of accumulated depreciation)	211,882,348	861,914	212,744,262
Total assets	<u>399,139,342</u>	<u>2,039,096</u>	<u>401,178,438</u>
LIABILITIES			
Accounts payable	15,124,628	55,261	15,179,889
Deposits and agency amounts payable	7,174,108		7,174,108
Accrued payroll and payroll taxes	2,881,062	3,843	2,884,905
Due to other governmental units	249,579		249,579
Unearned grant revenues	14,311,903		14,311,903
Current portions of long term liabilities:			
General obligation bonds payable	12,700,000		12,700,000
Note payable	583,489		583,489
Unamortized bond premium	1,419,287		1,419,287
Noncurrent portions of long term liabilities:			
Accrued vacation and other compensation	15,674,418		15,674,418
Accrued worker's compensation	2,828,455		2,828,455
General obligation bonds payable	133,935,000		133,935,000
Note payable	7,263,186		7,263,186
Unamortized bond premium	4,118,021		4,118,021
Unfunded other postemployment benefits	30,132,019	62,351	30,194,370
Total liabilities	<u>248,395,155</u>	<u>121,455</u>	<u>248,516,610</u>
NET POSITION			
Net investment in capital assets	96,099,991	1,098,447	97,198,438
Restricted for:			
Program expenditures	54,007,417		54,007,417
Debt service	147,133		147,133
Bond financed improvements	5,889,716		5,889,716
Unrestricted	(5,400,070)	819,194	(4,580,876)
Total net position	<u>\$ 150,744,187</u>	<u>\$ 1,917,641</u>	<u>\$ 152,661,828</u>

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

COUNTY OF LEHIGH, PENNSYLVANIA
Statement of Activities
For the Year Ended December 31, 2013

Function	Expenses	Indirect Expenses Allocation	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
			Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Elected officials	\$ 21,079,931	\$ 2,049,365	\$ 5,923,475	\$ 1,973,279	\$ (15,232,542)		\$ (15,232,542)
County executive	3,568,518	901,155	8,210	115,259	(4,346,204)		(4,346,204)
Administration	27,260,177	(13,533,476)	7,010,127	1,280,582	(5,435,992)		(5,435,992)
Human services	125,836,015	2,443,473	168,555	126,702,043	(1,408,890)		(1,408,890)
General services	16,670,110	(1,348,193)	246,480	14,161,043	(914,394)		(914,394)
Nursing homes	63,857,121	4,481,257	6,888,242	55,141,460	(6,308,676)		(6,308,676)
Corrections	34,475,143	1,554,004	3,745,831	1,106,344	(31,176,972)		(31,176,972)
Department of law	1,339,979	(1,207,520)	301,348		168,889		168,889
Courts	31,428,608	4,399,321	4,267,303	7,268,009	(24,292,617)		(24,292,617)
Development	11,731,974	192,315	2,081,192	10,553,574	710,477		710,477
Interest on long-term debt	8,022,658				(8,022,658)		(8,022,658)
Total governmental activities	345,270,234	(68,299)	30,640,763	218,301,593	(96,259,579)		(96,259,579)
Business-type activities:							
Enterprise funds	979,598	68,299	1,045,749			(2,148)	(2,148)
Total primary government	\$ 346,249,832	\$ 0	\$ 31,686,512	\$ 218,301,593	(96,259,579)	(2,148)	(96,261,727)
			General revenues:				
			Taxes		102,958,966		102,958,966
			Unrestricted investment earnings		408,904	2,529	411,433
			Transfers		172,963	(172,963)	0
			Total general revenues		103,540,833	(170,434)	103,370,399
			Change in net position		7,281,254	(172,582)	7,108,672
			Net position, January 1		143,462,933	2,090,223	145,553,156
			Net position, December 31		\$ 150,744,187	\$ 1,917,641	\$ 152,661,828

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

COUNTY OF LEHIGH, PENNSYLVANIA
Balance Sheet
Governmental Funds
December 31, 2013

	General	Mental Health	Health Choices	Children and Youth	Cedarbrook	Bond Fund 2007	Other Governmental Funds	Total Governmental Funds
ASSETS								
Cash and cash equivalents	\$ 31,111,249	\$ 4,168,132	\$ 33,380,895	\$ 5,519,649	\$ 1,425,893	\$ 12,648,872	\$ 29,499,420	\$ 117,754,110
Receivables:								
Grants	2,241,735	16,876	3,849	2,147,480	7,660,642		3,317,051	15,387,633
Real estate taxes	4,033,184							4,033,184
Other	1,456,445	7,412	30	1,514	635,179		358,975	2,459,555
Other	13,602						3,300,158	3,313,760
Cash and cash equivalents - restricted	1,802,867		5,200,000				171,241	7,174,108
Total assets	<u>\$ 40,659,082</u>	<u>\$ 4,192,420</u>	<u>\$ 38,584,774</u>	<u>\$ 7,668,643</u>	<u>\$ 9,721,714</u>	<u>\$ 12,648,872</u>	<u>\$ 36,646,845</u>	<u>\$ 150,122,350</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ 1,843,485	\$ 2,472,739	\$ 344,470	\$ 1,570,210	\$ 3,654,439	\$ 92,568	\$ 5,353,908	\$ 15,331,819
Deposits and agency amounts payable	1,802,867		5,200,000				171,241	7,174,108
Payroll and payroll taxes	1,432,987	52,842	5,291	146,417	979,321		248,588	2,865,446
Due to other governmental units	249,579							249,579
Unearned revenues:								
Grants	479,725	1,666,839	2,904,622	5,952,016			3,308,701	14,311,903
Real estate taxes	3,533,552							3,533,552
Total liabilities	<u>9,342,195</u>	<u>4,192,420</u>	<u>8,454,383</u>	<u>7,668,643</u>	<u>4,633,760</u>	<u>92,568</u>	<u>9,082,438</u>	<u>43,466,407</u>
Fund balances:								
Restricted			30,130,391			12,556,304	15,230,376	57,917,071
Committed					5,087,954		12,334,031	17,421,985
Unassigned	31,316,887							31,316,887
Total fund balances	<u>31,316,887</u>	<u>0</u>	<u>30,130,391</u>	<u>0</u>	<u>5,087,954</u>	<u>12,556,304</u>	<u>27,564,407</u>	<u>106,655,943</u>
Total liabilities and fund balances	<u>\$ 40,659,082</u>	<u>\$ 4,192,420</u>	<u>\$ 38,584,774</u>	<u>\$ 7,668,643</u>	<u>\$ 9,721,714</u>	<u>\$ 12,648,872</u>	<u>\$ 36,646,845</u>	<u>\$ 150,122,350</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, 2013

Total fund balances for governmental funds \$ 106,655,943

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

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

Land	12,240,981
Buildings and improvements, net of \$104,927,544 accumulated depreciation	177,311,092
Machinery and equipment, net of \$44,747,328 accumulated depreciation	5,804,557
Furniture and fixtures, net of \$5,724,133 accumulated depreciation	2,330,812
Easements	19,529,310
Infrastructure, net of \$4,431,159 accumulated depreciation	<u>26,435,887</u>

Net capital assets 243,652,639

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. 5,555,928

Some of the County's taxes will be collected after year end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as unearned revenue in the funds. 3,533,552

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, 2013 are:

Accrued vacation and other compensation	(15,674,418)
Accrued worker's compensation	(2,828,455)
Bonds and notes payable	(154,481,675)
Unamortized bond premium	(5,537,308)
Unfunded other postemployment benefits	<u>(30,132,019)</u> <u>(208,653,875)</u>

Total net position of governmental activities \$ 150,744,187

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, 2013

	General	Mental Health	Health Choices	Children and Youth	Cedarbrook	Bond Fund 2007	Other Governmental Funds	Total Governmental Funds
REVENUES								
Taxes	\$ 102,768,080							\$ 102,768,080
Grants and reimbursements	16,091,438	\$ 12,032,192	\$ 73,360,069	\$ 20,288,197	\$ 55,141,460		\$ 41,388,237	218,301,593
Departmental earnings	12,745,635	18,895		4,764	6,537,458		3,165,068	22,471,820
Judicial costs and fines	3,984,209						33,526	4,017,735
Investment income	144,317	6,385	79,659	10,559	61	\$ 111,512	56,411	408,904
Rents	287,116						1,290,126	1,577,242
Other	495,732			14,213	3,120		641,614	1,154,679
Total revenues	<u>136,516,527</u>	<u>12,057,472</u>	<u>73,439,728</u>	<u>20,317,733</u>	<u>61,682,099</u>	<u>111,512</u>	<u>46,574,982</u>	<u>350,700,053</u>
EXPENDITURES								
Current:								
Elected officials	19,542,661					186,453	1,178,640	20,907,754
County executive	3,575,145							3,575,145
Administration	20,764,015					1,232	3,741,701	24,506,948
Human services	542,093	11,940,149	69,158,145	22,675,264			23,087,560	127,403,211
General services	7,466,964					4,553	14,036,436	21,507,953
Nursing homes					61,614,124	13,765	417,114	62,045,003
Corrections	32,236,662					533,547	346,094	33,116,303
Department of law	1,327,386							1,327,386
Courts	26,074,772						5,019,677	31,094,449
Development	9,594,678						2,043,127	11,637,805
Indirect cost allocation charges	(7,276,000)	410,584	139,566	1,017,231	4,038,923		1,601,397	(68,299)
Debt Service:								
Principal retirement							8,653,751	8,653,751
Interest							7,252,396	7,252,396
Total expenditures	<u>113,848,376</u>	<u>12,350,733</u>	<u>69,297,711</u>	<u>23,692,495</u>	<u>65,653,047</u>	<u>739,550</u>	<u>67,377,893</u>	<u>352,959,805</u>
Excess of revenues over (under) expenditures	<u>22,668,151</u>	<u>(293,261)</u>	<u>4,142,017</u>	<u>(3,374,762)</u>	<u>(3,970,948)</u>	<u>(628,038)</u>	<u>(20,802,911)</u>	<u>(2,259,752)</u>
OTHER FINANCING SOURCES (USES)								
Operating transfers in	2,468,010	692,740		3,938,238	6,816,434		22,671,577	36,586,999
Operating transfers out	(30,772,855)	(399,479)	(2,233,943)	(563,476)	(1,463,232)		(2,506,789)	(37,939,774)
Total other financing sources / (uses)	<u>(28,304,845)</u>	<u>293,261</u>	<u>(2,233,943)</u>	<u>3,374,762</u>	<u>5,353,202</u>	<u>0</u>	<u>20,164,788</u>	<u>(1,352,775)</u>
Net change in fund balances	(5,636,694)	0	1,908,074	0	1,382,254	(628,038)	(638,123)	(3,612,527)
Fund balances, January 1, as restated (Note 14)	36,953,581	0	28,222,317	0	3,705,700	13,184,342	28,202,530	110,268,470
Fund balances, December 31	<u>\$ 31,316,887</u>	<u>\$ 0</u>	<u>\$ 30,130,391</u>	<u>\$ 0</u>	<u>\$ 5,087,954</u>	<u>\$ 12,556,304</u>	<u>\$ 27,564,407</u>	<u>\$ 106,655,943</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, 2013

Net change in fund balances – total governmental funds \$ (3,612,527)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The net effect of the retirement of capital assets is to decrease net position. This is the amount by which net depreciation and retirements exceeded capital outlays in the current period. (676,134)

The issuance of long-term debt is an other financing source in the governmental funds, but increases the liability in the statement of net assets. The repayment of long-term debt principal is an expenditure in the governmental funds, but reduces the liability in the statement of net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. 9,260,449

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

Accrued worker’s compensation	145,652	
Accrued vacation and other compensation	(206,201)	
Unearned real estate tax revenue	190,886	
Other postemployment benefits	<u>(492,747)</u>	(362,410)

An internal service fund is used to account for operational, debt service, and depreciation expenses of the Government Center Building that are reimbursed through building use allocations and parking rentals. The net income of the internal service fund (net of \$683,434 depreciation which is included in the capital outlays adjustment above) is included in the governmental activities. 2,671,876

Change in net position of governmental activities \$ 7,281,254

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, 2013

	<u>Business-type Activities Enterprise Funds</u>	<u>Governmental Activities Internal Service Fund</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 939,872	\$ 5,603,588
Other receivables	777	
Total current assets	940,649	5,603,588
Noncurrent assets:		
Capital assets:		
Land and improvements	236,533	
Buildings and improvements	6,396,121	23,354,186
Equipment	378,186	1,010,142
Furniture and fixtures	40,983	1,441,539
Less accumulated depreciation	(5,953,376)	(11,565,361)
Total capital assets (net of accumulated depreciation)	1,098,447	14,240,506
TOTAL ASSETS	2,039,096	19,844,094
LIABILITIES		
Current liabilities:		
Accounts payable	55,261	32,044
Accrued payroll and payroll taxes	3,843	15,616
Unamortized bond premium		377,771
Current portion of general obligation bonds payable		4,258,285
Total current liabilities	59,104	4,683,716
Noncurrent liabilities:		
General obligation bonds payable		9,929,496
Unamortized bond premium		755,543
Unfunded other postemployment benefits	62,351	
TOTAL LIABILITIES	121,455	15,368,755
NET POSITION		
Net investment in capital assets	1,098,447	(1,080,589)
Unrestricted	819,194	5,555,928
TOTAL NET POSITION	\$ 1,917,641	\$ 4,475,339

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, 2013

	<u>Business-type Activities Enterprise Funds</u>	<u>Governmental Activities Internal Service Fund</u>
OPERATING REVENUES		
Tenant rentals - Cedar View	\$ 1,045,749	
Government Center revenues		\$ 2,950,868
Total operating revenues	<u>1,045,749</u>	<u>2,950,868</u>
OPERATING EXPENSES		
Administration and maintenance:		
Cedar View apartments	754,720	
Government Center		1,394,265
Depreciation	224,878	683,434
Indirect cost allocation charges	68,299	
Total operating expenses	<u>1,047,897</u>	<u>2,077,699</u>
OPERATING INCOME/(LOSS)	<u>(2,148)</u>	<u>873,169</u>
NONOPERATING REVENUES (EXPENSES)		
Investment earnings	2,529	14,791
Amortization of bond premium		377,771
Other		(32,764)
Interest expense		(770,263)
Total nonoperating revenues	<u>2,529</u>	<u>(410,465)</u>
OTHER FINANCING USES		
Transfers in		2,475,000
Transfers out	(172,963)	(949,262)
	<u>(172,963)</u>	<u>1,525,738</u>
Change in net position	(172,582)	1,988,442
Total net position, January 1	<u>2,090,223</u>	<u>2,486,897</u>
Total net position, December 31	<u>\$ 1,917,641</u>	<u>\$ 4,475,339</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, 2013

	<u>Business-type Activities</u>	<u>Governmental Activities</u>
	<u>Enterprise Funds</u>	<u>Internal Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 1,045,925	\$ 2,950,868
Payments to suppliers	(472,327)	(341,608)
Payments to employees	(195,440)	(761,842)
Payments of benefits on behalf of employees	(72,033)	(284,680)
Indirect cost allocation charges	(68,299)	
Net cash provided by operating activities	237,826	1,562,738
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from other funds		2,475,000
Transfers to other funds	(172,963)	(949,262)
Net cash provided by / (used) for noncapital financing activities	(172,963)	1,525,738
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(421,306)	
Principal paid on capital debt		(4,135,106)
Interest paid on capital debt		(770,263)
Net cash used by capital and related financing activities	(421,306)	(4,905,369)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends on investments	2,529	14,791
Net cash provided by investing activities	2,529	14,791
Net increase in cash and cash equivalents	(353,914)	(1,802,102)
Cash and cash equivalents, January 1	1,293,786	7,405,690
Cash and cash equivalents, December 31	\$ 939,872	\$ 5,603,588
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ (2,148)	\$ 873,169
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation expense	224,878	683,434
Decrease in other receivables	176	
Increase in accounts payable	12,121	1,618
Increase in payroll and payroll taxes payable	1,627	4,517
Increase in unfunded other postemployment benefits payable	1,172	
Net cash provided by operating activities	\$ 237,826	\$ 1,562,738

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

COUNTY OF LEHIGH, PENNSYLVANIA
Statement of Net Position
Fiduciary Funds
December 31, 2013

	<u>Employee Retirement Plan</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ 29,170,158	\$ 12,982,972
Investments, at fair value:		
United States government and municipal obligations	20,911,864	134,131
Corporate and foreign bonds	71,644,186	63,451
Common stock	129,262,006	248,454
Mutual fund - alternatives	22,058,990	
Mutual fund - corporate bonds	13,079,981	21,538
Mutual fund - common stock	73,300,596	
Mutual fund - foreign stock	74,164,968	
Mutual fund - balanced	11,185,053	
Total investments	<u>415,607,644</u>	<u>467,574</u>
Receivables:		
Interest and dividends	988,715	
Employee contributions	137,176	
Other		45,742
Total receivables	<u>1,125,891</u>	<u>45,742</u>
Total assets	<u>\$ 445,903,693</u>	<u>\$ 13,496,288</u>
LIABILITIES		
Accounts payable	\$ 237,305	\$ 624,737
Deposits and agency amounts payable		9,635,948
Due to other governmental units		3,235,603
Withdrawals payable	62,611	
Pension benefits payable	237,962	
Due to broker	122,321	
Total liabilities	<u>\$ 660,199</u>	<u>\$ 13,496,288</u>
NET POSITION		
Held in trust for pension benefits	<u>\$ 445,243,494</u>	<u>\$ 0</u>

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, 2013

	<u>Employee Retirement Plan</u>
ADDITIONS	
Contributions:	
Employee	\$ 6,523,114
Employer	<u>12,372,805</u>
Total contributions	18,895,919
Investment income:	
Interest and dividend income	9,452,654
Net appreciation (depreciation) in fair value of investments:	
United States government and municipal obligations	(945,302)
Corporate and foreign bonds	(2,864,085)
Common stock	31,821,664
Mutual fund - alternatives	(2,163,622)
Mutual fund - corporate bonds	(129,125)
Mutual fund - common stock	14,562,539
Mutual fund - foreign stock	10,960,952
Partnerships - balanced	<u>225,967</u>
	51,468,988
Less investment expenses	<u>(1,284,605)</u>
Net investment income	<u>59,637,037</u>
Other additions	<u>29,587</u>
Total additions	78,562,543
DEDUCTIONS	
Employee contributions refunded	652,872
Retirement benefits paid	22,416,511
Death benefits paid	639,193
Administrative expense	<u>39,522</u>
Total deductions	<u>23,748,098</u>
Change in net position	54,814,445
Net position, January 1	<u>390,429,049</u>
Net position, December 31	<u><u>\$ 445,243,494</u></u>

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, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

The County is financially accountable for:

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

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

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

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

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

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

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

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

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

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

In addition, the County supports the Lehigh Valley Planning Commission which is engaged in general, regional, environmental, transportation, housing and other studies. In 2013, the County paid \$425,000 in support of this Commission. The County also supports the Lehigh and Northampton Transportation Authority, which owns and operates a bus transportation system. In 2013, the County provided \$407,500 in subsidies to this Authority. The County Executive appoints, and the County Board of Commissioners approves, one half of the governing board for each organization. These two organizations have been determined to be related organizations.

Measurement Focus and Basis of Accounting

Government-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

Governmental Funds

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

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

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

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

The County's major Governmental Funds are General Fund, Mental Health Fund, Health Choices Fund, Children and Youth Fund, Cedarbrook Fund, and Bond Fund 2007.

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

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

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

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

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

The Bond Fund 2007 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 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 2013 real estate taxes assessed equaled \$107,330,899 based on a total County valuation of \$28,319,498,000. Based on the 2013 levy of 3.79 mills, a property owner would pay \$3.79 per \$1,000 of assessed valuation. In addition, a one time expiring tax credit totaling \$3,500,000 was authorized for 2013 for taxpayers whose taxes are paid in full by the end of the year. This credit was calculated on a pro rata basis across the classes of all taxable properties. Tax payments received by year end resulted in the use of \$3,417,261 of the credit prior to expiration.

The dates relevant to the collection of delinquent 2013 real estate taxes are as follows:

July 31, 2014	Notices of unpaid delinquent taxes must be mailed by the County.
August 30, 2015	Posting of properties of the pending tax sale (upset sale) to force the recovery of unpaid delinquent taxes, penalties, costs, and interest.
September 16, 2015	This is the earliest date on which the County may conduct the tax sale (upset sale) to recover unpaid delinquent taxes, penalties, costs, and interest.
December 16, 2015	This is the earliest date on which the County would conduct the judicial tax sale for parcels remaining unsold at the previous upset sale to recover all costs incurred by the County in its attempt to collect unpaid taxes on a particular parcel (actual taxes, interest, and penalties are waived). Parcels remaining unsold after the judicial tax sale are placed in a repository for unsold properties.

Capital Assets

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

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

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

Accrued Vacation and Other Compensation

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

Long-term Obligations

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

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

Interfund Transactions

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

Unearned Revenues

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

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

Recent Accounting Pronouncements

On January 1, 2013, the County adopted the requirements of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*. This Statement improves guidance for including, presenting and disclosing information about component units and equity interest transactions of a financial reporting entity. Adoption of this guidance did not have a material effect on the County’s financial statements.

On January 1, 2013, the County adopted the requirements of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement reclassifies and recognizes certain items currently reported as assets and liabilities as one of four financial statement elements: deferred outflows of resources, outflows of resources, deferred inflows of resources, or inflows of resources. The adoption of this guidance did not have a material effect on the County's financial statements.

In June 2012, the GASB issued Statement No. 67, *Financial Reporting for Pension Plans*. This Statement amends and expands certain disclosures and required supplementary information for defined benefit pension plans. GASB statement No. 67 is effective for periods beginning after June 15, 2013.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. This Statement amends financial accounting and reporting requirements for sponsors of defined benefit pension plans. GASB statement No. 68 is effective for periods beginning after June 15, 2014.

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This Statement amends financial accounting and reporting requirements for merger, acquisitions, transfers and disposals of government operating segments. GASB statement No. 69 is effective for periods beginning after December 15, 2013.

In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This guidance is effective for periods beginning after June 15, 2013.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. GASB statement No. 71 is effective for periods beginning after June 15, 2014.

The County is currently evaluating what effect the adoption of GASB Statement No. 67 through Statement No. 71 will have on the County's financial statements.

NOTE 2 DEPOSIT AND INVESTMENT RISK

As of December 31, 2013, the County had the following debt investments and maturities within its governmental, proprietary, and agency funds:

Investment Type	Investment Maturities (in Years)		
	Fair Value	1-5	6-10
U.S. government treasuries	57,213	\$ 42,082	\$ 15,131
U.S. government agencies	76,918	46,748	30,170
Corporate bonds	63,451	33,650	29,801
Total	\$ 197,582	\$ 122,480	\$ 75,102

As of December 31, 2013, 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	13,487,209	1,523,557	\$ 2,373,656	\$ 7,690,541	\$ 1,899,455
U.S. government agencies	7,424,655			758,616	6,666,039
Corporate bonds	71,644,186	1,789,190	24,582,101	17,950,432	27,322,463
Total	\$ 92,556,050	\$ 3,312,747	\$ 26,955,757	\$ 26,399,589	\$ 35,887,957

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 its benefit payments from the Retirement Plan when due. Fixed income investment allocation is targeted to 35% (with an allowable range of +/- 10%) 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, “BAA” or “BBB” ratings can be purchased up to a maximum of 20% of the total market value of fixed income securities. The County is in compliance with the Retirement Investment Policy. Fixed income securities invested in mutual funds are excluded from the table below.

As of December 31, 2013, the County’s retirement investments had a credit rating as follows:

Investment Type	Credit Quality Rating	Percent of Investment Type
Cash Equivalent	AA+	100%
U.S. Government Treasuries	AA+	100%
U.S. Government Agencies	AA+	100%
Corporate Bonds	AAA	6%
Corporate Bonds	AA+	26%
Corporate Bonds	AA	5%
Corporate Bonds	AA-	5%
Corporate Bonds	A+	8%
Corporate Bonds	A	11%
Corporate Bonds	A-	21%
Corporate Bonds	BBB+	10%
Corporate Bonds	BBB	6%
Corporate Bonds	BBB-	2%

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, 2013, the County’s cash and restricted cash balances for its governmental funds, proprietary funds and agency funds were \$144,431,690 and its bank balances were \$147,909,010. The entire bank balance was either insured or collateralized with securities held by the pledging financial institutions, or by their trust departments or agents, but not in the County’s name. The entire cash and cash equivalent balance in the Employee Retirement Plan Fund was either insured collateralized with securities held by the pledging financial institutions, or their trust departments or agents, but not in the County’s name. The County had petty cash balances totaling \$22,960 at December 31, 2013.

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, 2013:

	Balance at January 1, 2013	Additions	Retirement s	Balance at December 31, 2013	Amount due within one year
Accrued vacation and other compensation	\$ 15,468,217	\$ 206,201		\$ 15,674,418	
Accrued worker’s compensation	2,974,107	1,637,446	\$ (1,783,098)	2,828,455	
General obligation bonds payable	158,860,000		(12,225,000)	146,635,000	\$ 12,700,000
Note payable	8,410,533		(563,858)	7,846,675	583,489
Unamortized bond premium/discount	6,956,595		(1,419,287)	5,537,308	1,419,287
Other postemployment benefits	29,700,451	493,919		30,194,370	
	<u>\$ 222,369,903</u>	<u>\$ 2,337,566</u>	<u>\$ (15,991,243)</u>	<u>\$ 208,716,226</u>	<u>\$ 14,702,776</u>

Compensated absences and the liability for worker’s compensation self-insurance are liquidated by the General, Health Choices, Children and Youth, Mental Health, Cedarbrook, and certain other nonmajor funds.

General Obligation Bonds and Notes Payable

The following is a summary of general obligation notes and bonds payable of the County for the year ended December 31, 2013:

		Amount Due within <u>One year</u>
\$47,425,000 2004 General Obligation Bonds, serial bonds due in annual installments of \$140,000 to \$5,970,000 through November 15, 2017, interest rates vary from 3.8% to 4.10%	\$ 11,180,000	140,000
\$76,895,000 2007 General Obligation Bonds, serial bonds due in annual installments of \$5,000 to \$12,835,000 through November 15, 2022, interest rates vary from 4.00% to 5.00%	76,870,000	5,000
\$18,120,000 2007 Federally Taxable General Obligation Bonds, serial bonds due in annual installments of \$335,000 to \$1,215,000 through December 15, 2037, interest rates vary from 5.39% to 5.85%	16,425,000	335,000
\$13,355,000 2007 Guaranteed Authority Bonds, serial bonds due in annual installments of \$5,000 to \$1,585,000 through December 15, 2037, interest rates vary from 4.00% to 4.5%	13,325,000	5,000
\$17,085,000 2010 General Obligation Bonds, serial bonds due in annual installments of \$1,900,000 to \$5,310,000 through November 15, 2015, interest rate of 5%	7,210,000	5,310,000
\$32,925,000 2011 General Obligation Bonds, serial bonds due in annual installments of \$6,905,000 to \$7,540,000 through November 15, 2016, interest rates vary from 4% to 5%	<u>21,625,000</u>	<u>6,905,000</u>
Total general obligation bonds payable	\$ 146,635,000	\$ 12,700,000
\$4,975,756 2009 General Obligation Note, due in quarterly installments of \$74,000 to \$109,000 through September 1, 2024, interest rate of 3.73%	\$ 3,884,000	300,000
\$4,768,538 2010 General Obligation Note, due in annual installments of \$283,489 to \$381,744 through November 15, 2025, interest rates of 3.75% and 5.60%	<u>3,962,675</u>	<u>283,489</u>
Total notes payable	<u>7,846,675</u>	<u>583,489</u>
Total general obligation bonds and notes payable	<u>\$ 154,481,675</u>	<u>\$ 13,283,489</u>

The annual requirements to amortize all general obligation bonds and notes payable as of December 31, 2013 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>	
2014	9,025,204	6,807,233	4,258,285	644,506	13,283,489	7,451,739	20,735,228
2015	9,445,292	6,391,766	4,426,876	475,077	13,872,168	6,866,843	20,739,011
2016	9,879,962	5,964,615	4,646,933	255,461	14,526,895	6,220,076	20,746,971
2017	14,091,723	5,537,375	84,948	24,881	14,176,671	5,562,256	19,738,927
2018	12,770,104	4,851,301	87,392	22,441	12,857,496	4,873,742	17,731,238
2019-2023	59,927,981	13,991,426	474,686	72,835	60,402,667	14,064,261	74,466,928
2024-2028	6,478,628	5,713,512	208,661	9,229	6,687,289	5,722,741	12,410,030
2029-2033	8,675,000	3,958,743			8,675,000	3,958,743	12,633,743
2034-2037	10,000,000	1,324,643			10,000,000	1,324,643	11,324,643
	<u>\$140,293,894</u>	<u>\$54,540,614</u>	<u>\$ 14,187,781</u>	<u>\$ 1,504,430</u>	<u>\$154,481,675</u>	<u>\$56,045,044</u>	<u>\$210,526,719</u>

On April 15, 2014, the County issued \$11,685,000 General Obligation Note, Series of 2014. The proceeds of this note financed the current refunding of the County's General Obligation Bonds, Series of 2004, including the cost of issuance of the Note. The refunding resulted in a decrease in total debt service payments of \$500,798 and an economic gain (difference between the present value of the old and the new debt service payments) of \$501,166.

NOTE 4 INTERFUND TRANSFERS

Certain interfund transfers are executed as a result of the General Fund's requirement to match a portion of another fund's expenses or expenditures. In addition, the General Fund receives certain reimbursements from other funds. Interfund transfers to and transfers from of each individual fund for the year ended December 31, 2013 are as follows:

	<u>Transfer In:</u>						<u>Total</u>
	<u>General Fund</u>	<u>Mental Health</u>	<u>Children and Youth Fund</u>	<u>Cedarbrook Fund</u>	<u>Other Governmental Funds</u>	<u>Internal Service Fund</u>	
<u>Transfer Out:</u>							
General Fund		440,491	3,938,238	6,376,755	17,542,371	2,475,000	\$30,772,855
Mental Health Fund	107,700				291,779		\$ 399,479
Health Choices Fund	107,700	252,249			1,873,994		\$ 2,233,943
Children and Youth Fund	76,600				486,876		\$ 563,476
Cedarbrook Fund					1,463,232		\$ 1,463,232
Other Governmental Funds	2,067,110			439,679			\$ 2,506,789
Enterprise Fund					172,963		\$ 172,963
Internal Service Fund	108,900				840,362		\$ 949,262
	<u>\$ 2,468,010</u>	<u>\$ 692,740</u>	<u>\$3,938,238</u>	<u>\$ 6,816,434</u>	<u>\$ 22,671,577</u>	<u>\$ 2,475,000</u>	

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013 was as follows:

Governmental Activities:	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 12,204,235	36,746		\$ 12,240,981
Easements	19,502,326	26,984		19,529,310
Total capital assets, not being depreciated	<u>31,706,561</u>	<u>63,730</u>	<u>-</u>	<u>31,770,291</u>
Capital assets, being depreciated:				
Buildings and improvements	280,034,246	\$ 2,204,390		282,238,636
Machinery and equipment	49,752,101	1,094,108	\$ (294,324)	50,551,885
Furniture and fixtures	8,054,945			8,054,945
Infrastructure	23,445,480	7,421,566		30,867,046
Total capital assets, being depreciated	<u>361,286,772</u>	<u>10,720,064</u>	<u>(294,324)</u>	<u>371,712,512</u>
Total capital assets, historical cost	<u>392,993,333</u>	<u>10,783,794</u>	<u>(294,324)</u>	<u>403,482,803</u>
Less accumulated depreciation for:				
Buildings and improvements	(97,741,884)	(7,185,660)		(104,927,544)
Machinery and equipment	(41,959,447)	(3,008,418)	220,537	(44,747,328)
Furniture and fixtures	(5,211,330)	(512,803)		(5,724,133)
Infrastructure	(3,751,899)	(679,260)		(4,431,159)
Total accumulated depreciation	<u>(148,664,560)</u>	<u>(11,386,141)</u>	<u>220,537</u>	<u>(159,830,164)</u>
Total capital assets, net of accumulated depreciation	<u>\$ 244,328,773</u>	<u>\$ (602,347)</u>	<u>\$ (73,787)</u>	<u>\$ 243,652,639</u>
 Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 236,533			\$ 236,533
Capital assets, being depreciated:				
Buildings and improvements	5,974,815	\$ 421,306		6,396,121
Machinery and equipment	378,186			378,186
Furniture and fixtures	40,983			40,983
Total capital assets, being depreciated	<u>6,393,984</u>	<u>421,306</u>	<u>-</u>	<u>6,815,290</u>
Total capital assets, historical cost	<u>6,630,517</u>	<u>421,306</u>	<u>-</u>	<u>7,051,823</u>
Less accumulated depreciation for:				
Buildings and improvements	(5,435,376)	(164,414)		(5,599,790)
Machinery and equipment	(264,989)	(58,414)		(323,403)
Furniture and fixtures	(28,133)	(2,050)		(30,183)
Total accumulated depreciation	<u>(5,728,498)</u>	<u>(224,878)</u>	<u>-</u>	<u>(5,953,376)</u>
Total capital assets, net of accumulated depreciation	<u>\$ 902,019</u>	<u>\$ 196,428</u>	<u>-</u>	<u>\$ 1,098,447</u>

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

	<u>Depreciation</u>
Governmental activities:	
Elected officials	\$ 251,690
Executive	7,666
Administration	3,087,092
Human services	98,394
General services	4,090,161
Nursing homes	1,590,990
Corrections	1,884,331
Department of law	57
Courts	292,946
Development	<u>82,814</u>
 Total depreciation expense-governmental activities	 <u>\$11,386,141</u>
 Total depreciation expense - business-type activities - enterprise funds	 <u>\$ 224,878</u>

NOTE 6 EMPLOYEES' RETIREMENT FUND

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

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

Contributions to the Plan made by the County and its employees are accumulated and transferred to Wells Fargo Bank, the Plan's custodian. The Plan is administered by the Retirement Board of Trustees. 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, Credit Suisse Commodity Return Strategy Fund, C. S. McKee, LP, Eaton Vance Floating Rate Class I Fund, Edgar Lomax Company, Emerald Advisers, Inc., John Hancock Global Absolute Return Strategies Fund, Mondrian Investment Partners, Inc., Nuveen Preferred Securities Fund, Sustainable Growth Advisors, LP, The Philadelphia Trust Company, Vanguard Developed Markets Index Fund, Vanguard Short Term Investment Grade Admiral Fund, Vanguard SCV Index Fund, and Vanguard Institutional Index Fund, the Plan's investment advisors.

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

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

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

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

Annual Pension Cost and Net Pension Obligation - The pension benefit obligation was determined as part of an actuarial valuation at January 1, 2013. Significant actuarial assumptions used include:

Actuarial Cost Method	Entry Age
Asset Valuation Method	Greater of Market Value and Actuarial Value
Actuarial Assumptions:	
Investment Rate of Return*	7.5%
Projected Salary Increases*	4%
* Includes Inflation at	3%

(The asset valuation assumption was modified for the 1/1/11 actuarial valuation. There are 13 years remaining on the amortization resulting from this change.)

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2008	\$364,082,316	\$361,684,784	\$(2,397,532)	100.7%	\$98,169,076	(2.4)%
1/1/2009	351,739,670	386,231,423	34,491,753	91.1%	104,774,896	32.9%
1/1/2010	344,533,257	405,281,058	60,747,801	85.0%	108,008,635	56.2%
1/1/2011	363,022,473	430,640,974	67,618,501	84.3%	109,572,720	61.7%
1/1/2012	381,216,401	452,851,496	71,635,095	84.2%	109,197,576	65.6%
1/1/2013	399,472,998	476,755,481	77,282,483	83.8%	108,693,112	71.1%

The annual pension costs were \$12,372,805, \$11,076,512, and \$10,428,623 for each of the fiscal years ended December 31, 2013, 2012, and 2011, respectively. The County has contributed 100% of the annual pension cost. The net pension obligations were \$0 for each of the fiscal years ended December 31, 2013, 2012, and 2011.

NOTE 7: POSTEMPLOYMENT BENEFITS OTHER THAN RETIREMENT FUND

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

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

As of December 31, 2013, there were 700 retired participants in the plan and 110 potential participants who are currently active, for a total of 810 plan participants.

Funding Policy: The County currently funds the plan on a pay-as-you-go basis. The eligible retirees currently do not contribute towards the plan's costs. The County is required to have calculated the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The ARC for 2013 was \$8,050,091 for the health and life insurance plan (\$7,917,573 for the health insurance and \$132,518 for the life insurance) using the implicit rate subsidy.

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) -Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2008	0	140,425,715	140,425,715	0%	NA	NA
1/1/2009	0	141,698,640	141,698,640	0%	NA	NA
1/1/2010	0	130,304,475	130,304,475	0%	NA	NA
1/1/2011	0	130,792,914	130,792,914	0%	NA	NA
1/1/2012	0	119,577,949	119,577,949	0%	NA	NA
1/1/2013	0	119,410,284	119,410,284	0%	NA	NA

Development of net OPEB Obligation

(1) Year	(2) ARC	(3) Interest On Net OPEB Obligation**	(4) ARC Adjustment***	(5) Amortization Factor	(6) OPEB-Cost (2+3-4)	(7) Contribution	(8) Changes in Net OPEB Obligation (6-7)	(9) Net OPEB Obligation Balance* (BB+8)
2008	9,722,391	571,075	779,039	16.29	9,514,427	4,995,290	4,519,137	17,209,689
2009	9,722,391	774,436	1,056,457	16.29	9,440,370	5,024,493	4,415,877	21,625,566
2010	8,843,831	973,150	1,327,536	16.29	8,489,445	4,741,273	3,748,172	25,373,738
2011	8,843,831	1,141,818	1,557,627	16.29	8,428,022	5,428,243	2,999,779	28,373,517
2012	8,050,091	1,276,808	1,741,775	16.29	7,585,124	6,258,190	1,326,934	29,700,451
2013	8,050,091	1,336,520	1,823,232	16.29	7,563,379	7,069,460	493,919	30,194,370

* BB = Beginning balance for the year.

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

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

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/08	9,514,427	52.5%	17,209,689
12/31/09	9,440,370	53.2%	21,625,566
12/31/10	8,489,445	55.8%	25,373,738
12/31/11	8,428,022	64.4%	28,373,517
12/31/12	7,585,124	82.5%	29,700,451
12/31/13	7,563,379	93.5%	30,194,370

	Governmental	Business-type	Total Primary
	Activities	Activities	Government
Annual required contribution (ARC)	\$ 8,030,992	\$ 19,099	\$ 8,050,091
Interest on net OPEB Obligation	1,333,349	3,171	1,336,520
Adjustment to ARC	(1,818,906)	(4,326)	(1,823,232)
Annual OPEB Cost (Expense)	7,545,435	17,944	7,563,379
Contributions made	7,052,688	16,772	7,069,460
Increase to net OPEB obligation	492,747	1,172	493,919
Net OPEB obligation—beginning of year	29,639,272	61,179	29,700,451
Net OPEB obligation—end of year	<u>\$ 30,132,019</u>	<u>\$ 62,351</u>	<u>\$ 30,194,370</u>

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

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with long-term perspective of the calculations. The projected unit credit cost method was used for valuation purposes and the level dollar method over a period of 30 years was used for the amortization of the unfunded liability. The actuarial assumptions included a 4.5% investment rate of return and an annual healthcare cost trend rate of 6.2% initially, reduced by decrements to an ultimate rate of 3.8% after 5 years.

NOTE 8 RISK MANAGEMENT

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

General Liability and Property Damage

The County is insured for general liability and property damage losses. The property damage and time element deductible is \$25,000 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 \$600,000 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>
2012	\$ 3,552,398	\$ 939,324	\$ 61,973	\$ (223,421)	\$ (1,356,167)	\$ 2,974,107
2013	2,974,107	951,115	686,331	(345,231)	(1,437,867)	2,828,455

During 2013, there has not been a significant reduction in any insurance coverage and the amount of settlements has not exceeded insurance coverage for each of the past three fiscal years.

NOTE 9 RESTRICTED ASSETS

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

<u>General Fund</u>	
Cash restricted for temporarily held balances that are due other parties.	\$1,802,867
<u>Health Choices Fund</u>	
Cash restricted for claims payable.	5,200,000
<u>Other Governmental Funds</u>	
Cash restricted for temporarily held balances that are due to other parties.	171,241
Total Restricted Assets	<u>\$7,174,108</u>

NOTE 10 FUND BALANCE / NET POSITION

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

Health	<u>Choices Fund</u>	
	<u>Restricted fund balance</u>	
	Amounts restricted for the payment of specific grant program expenditures.	<u>\$ 30,130,391</u>
Cedarbrook	<u>Fund</u>	
	<u>Committed fund balance</u>	
	Amounts committed for the payment of nursing home expenditures.	<u>\$ 5,087,954</u>
Bond	<u>Fund 2007</u>	
	<u>Restricted fund balance</u>	
	Amounts restricted for the payment of capital project expenditures.	<u>\$ 12,556,304</u>
Other	<u>Governmental Funds</u>	
	<u>Restricted fund balance amounts for:</u>	
	The payment of specific grant and fee program expenditures.	\$ 9,858,195
	The payment of capital project expenditures.	1,951,878
	The required worker's compensation self-insurance reserve.	3,273,170
	Debt service payments.	147,133
		<u>\$ 15,230,376</u>
	<u>Committed fund balance amounts for:</u>	
	The payment of specific program expenditures.	\$ 8,136,162
	The payment of capital project expenditures.	3,847,869
	General insurance reserve.	350,000
		<u>\$ 12,334,031</u>
	<u>Fiduciary Fund</u>	
	<u>Held in trust for pension benefits</u>	
	Amounts restricted to Employee Retirement Plan use for future payment of member benefits.	<u>\$ 445,243,494</u>

NOTE 11 CONSTRUCTION COMMITMENTS

The County has entered into a variety of construction commitments for bridge replacement and repair for the Lehigh Street Bridge and Coplay/Northampton Bridge. These commitments totaled \$9,002,682 and \$9,174,425 at December 31, 2013, respectively. These projects are significantly funded by federal and state grants.

In addition, construction commitments for the construction of a forensic medicolegal facility totaled \$2,751,283 at December 31, 2013.

NOTE 12 OPERATING LEASE

The County has entered into a lease agreement with the Allentown Parking Authority to lease up to 326 parking spaces in a parking deck for a period of 50 years. In an effort to better serve the parking needs of the citizens of Lehigh County as well as business and government owned enterprises located near the site, the County has contributed \$3,750,000 towards the construction costs of the parking deck. In return, the County received 162 parking spaces. The County will rent at market rate the balance of the parking spaces as needed up to 326 spaces. The \$3,750,000 is treated as an asset that will be amortized over the length of the lease. The unamortized balance at December 31, 2013 was \$3,300,000.

NOTE 13 STABILIZATION FUND

A Stabilization Fund was established by the Board of Commissioners through Ordinance 2003-168 as a prudent budgetary practice to mitigate current and future risks, such as revenue shortfalls and unanticipated expenditures. All transfers into or transfers from the Stabilization Fund shall be established during the County's budget process or upon approval of a subsequent ordinance of the Board of Commissioners. The balance of the Fund at December 31, 2013 was \$25,000,000 and is included in unassigned fund balance in the Governmental Funds Balance Sheet and unrestricted net position in the Statement of Net Position.

NOTE 14 RESTATEMENT OF FUND BALANCE

In 2013, the Green Futures Fund was reclassified from the General Fund to the Special Revenue Funds. As a result, the General Fund and Other Governmental Funds have been restated in the Statement of Revenues, Expenditures, and Changes in Fund Balances as follows:

	<u>General Fund</u>	<u>Other Governmental Funds</u>
Beginning fund balance as of January 1, 2013, as previously reported	\$ 41,221,621	\$ 23,934,490
Reclassifications to special revenue funds	(4,268,040)	\$ 4,268,040
Beginning fund balance, as restated	<u>\$ 36,953,581</u>	<u>\$ 28,202,530</u>

NOTE 15 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 16 SUBSEQUENT EVENTS

The County evaluated subsequent events through June 25, 2014. This is the date the financial statements were available to be issued. No material events subsequent to December 31, 2013, except as noted in Note 3, were noted.

COUNTY OF LEHIGH, PENNSYLVANIA
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (Cash Basis) and Actual
For the Year Ended December 31, 2013

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 99,907,132	\$ 101,441,132	\$ 103,186,538	\$ 1,745,406
Grants and reimbursements	6,509,667	16,201,352	14,922,763	(1,278,589)
Departmental earnings	11,716,951	12,038,784	12,807,718	768,934
Costs and fines	3,831,651	3,831,651	3,958,974	127,323
Investment income	112,002	112,001	144,317	32,316
Rents	295,958	320,113	307,832	(12,281)
Payments in lieu of taxes	194,450	194,450	202,958	8,508
Other revenues	184,269	320,019	293,410	(26,609)
Total revenues	<u>122,752,080</u>	<u>134,459,502</u>	<u>135,824,510</u>	<u>1,365,008</u>
EXPENDITURES				
Current:				
Elected officials	19,777,271	19,621,170	19,454,568	(166,602)
County executive	3,538,840	3,581,898	3,568,592	(13,306)
Administration	18,675,352	21,245,651	20,829,761	(415,890)
Human services	590,043	565,389	542,672	(22,717)
General services	7,372,982	7,708,782	7,488,937	(219,845)
Corrections	33,473,593	32,589,407	32,230,963	(358,444)
Department of law	1,336,084	1,331,064	1,327,943	(3,121)
Courts	26,858,970	26,408,017	26,008,577	(399,440)
Development	997,992	10,079,411	9,500,618	(578,793)
Total expenditures	<u>112,621,127</u>	<u>123,130,789</u>	<u>120,952,631</u>	<u>(2,178,158)</u>
Excess of revenues over expenditures	<u>10,130,953</u>	<u>11,328,713</u>	<u>14,871,879</u>	<u>3,543,166</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	4,024,423	4,035,395	2,518,387	(1,517,008)
Indirect cost allocation in	13,276,978	13,313,456	13,313,456	0
Operating transfers out	(30,218,872)	(36,111,712)	(30,823,233)	5,288,479
Indirect cost allocation out	(6,037,456)	(6,037,456)	(6,037,456)	0
Total other financing sources (uses)	<u>(18,954,927)</u>	<u>(24,800,317)</u>	<u>(21,028,846)</u>	<u>3,771,471</u>
Net change in fund balances	(8,823,974)	(13,471,604)	(6,156,967)	7,314,637
Fund balance, January 1	32,840,000	36,971,604	36,964,105	(7,499)
Fund balance, December 31	<u>\$ 24,016,026</u>	<u>\$ 23,500,000</u>	<u>\$ 30,807,138</u>	<u>\$ 7,307,138</u>

COUNTY OF LEHIGH, PENNSYLVANIA
 General Fund
 Adjustments to Reconcile GAAP Basis to Budgetary Basis
 For the Year Ended December 31, 2013

	Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	Fund Balance at End of Year
GAAP Basis	\$ (5,636,694)	\$ 31,316,887
Increase (Decrease):		
Due to revenues:		
Received in cash during the year but accrued as receivables (net of deferred revenues) at December 31, 2012	2,789,495	
Accrued as receivables (net of deferred revenues) at December 31, 2013 but not recognized in budget	(3,478,477)	(3,478,477)
Due to expenditures:		
Paid in cash during the year but accrued as liabilities at December 31, 2012	(2,800,019)	
Accrued as liabilities at December 31, 2013 but not recognized in budget	2,968,728	2,968,728
Budgetary Basis	\$ (6,156,967)	\$ 30,807,138

COUNTY OF LEHIGH, PENNSYLVANIA
Mental Health Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (Cash Basis) and Actual
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Over (Under)
REVENUES				
Taxes				
Grants and reimbursements	\$ 13,495,119	\$ 9,867,127	\$ 9,470,137	\$ (396,990)
Departmental earnings	13,072	13,072	13,439	367
Costs and fines				
Investment income	10,001	10,001	6,385	(3,616)
Rents				
Payments in lieu of taxes				
Other revenues	2	2		(2)
Total revenues	<u>13,518,194</u>	<u>9,890,202</u>	<u>9,489,961</u>	<u>(400,241)</u>
EXPENDITURES				
Current:				
Elected officials				
County executive				
Administration				
Human services	13,469,968	13,469,992	10,470,916	(2,999,076)
General services				
Nursing homes				
Corrections				
Department of law				
Courts				
Development				
Total expenditures	<u>13,469,968</u>	<u>13,469,992</u>	<u>10,470,916</u>	<u>(2,999,076)</u>
Excess of revenues over (under) expenditures	<u>48,226</u>	<u>(3,579,790)</u>	<u>(980,955)</u>	<u>2,598,835</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	769,431	769,431	692,740	(76,691)
Indirect cost allocation in				
Operating transfers out	(407,073)	(407,073)	(399,479)	7,594
Indirect cost allocation out	(410,584)	(410,584)	(410,584)	0
Total other financing sources (uses)	<u>(48,226)</u>	<u>(48,226)</u>	<u>(117,323)</u>	<u>(69,097)</u>
Net change in fund balances	0	(3,628,016)	(1,098,278)	2,529,738
Fund balance, January 1	0	5,266,024	5,266,410	386
Fund balance, December 31	<u>\$ 0</u>	<u>\$ 1,638,008</u>	<u>\$ 4,168,132</u>	<u>\$ 2,530,124</u>

COUNTY OF LEHIGH, PENNSYLVANIA
Mental Health Fund
Adjustments to Reconcile GAAP Basis to Budgetary Basis
For the Year Ended December 31, 2013

	Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	Fund Balance at End of Year
GAAP Basis	\$ 0	\$ 0
Increase (Decrease):		
Due to revenues:		
Received in cash during the year but accrued as receivables (net of deferred revenues) at December 31, 2012	(4,209,991)	
Accrued as receivables (net of deferred revenues) at December 31, 2013 but not recognized in budget	1,642,551	1,642,551
Due to expenditures:		
Paid in cash during the year but accrued as liabilities at December 31, 2012	(1,056,419)	
Accrued as liabilities at December 31, 2013 but not recognized in budget	2,525,581	2,525,581
Budgetary Basis	\$ (1,098,278)	\$ 4,168,132

COUNTY OF LEHIGH, PENNSYLVANIA
Health Choices Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (Cash Basis) and Actual
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES				
Taxes				
Grants and reimbursements	\$ 70,306,155	\$ 70,352,792	\$ 75,266,719	\$ 4,913,927
Departmental earnings				
Costs and fines				
Investment income	65,003	65,003	79,659	14,656
Rents				
Payments in lieu of taxes				
Other revenues				
Total revenues	<u>70,371,158</u>	<u>70,417,795</u>	<u>75,346,378</u>	<u>4,928,583</u>
EXPENDITURES				
Current:				
Elected officials				
County executive				
Administration				
Human services	71,525,256	71,763,262	69,044,919	(2,718,343)
General services				
Nursing homes				
Corrections				
Department of law				
Courts				
Development				
Total expenditures	<u>71,525,256</u>	<u>71,763,262</u>	<u>69,044,919</u>	<u>(2,718,343)</u>
Excess of revenues over (under) expenditures	<u>(1,154,098)</u>	<u>(1,345,467)</u>	<u>6,301,459</u>	<u>7,646,926</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in				
Indirect cost allocation in				
Operating transfers out	(1,179,884)	(2,549,365)	(2,233,944)	315,421
Indirect cost allocation out	(139,566)	(139,566)	(139,566)	0
Total other financing sources (uses)	<u>(1,319,450)</u>	<u>(2,688,931)</u>	<u>(2,373,510)</u>	<u>315,421</u>
Net change in fund balances	(2,473,548)	(4,034,398)	3,927,949	7,962,347
Fund balance, January 1	<u>27,825,000</u>	<u>29,452,850</u>	<u>29,452,946</u>	<u>96</u>
Fund balance, December 31	<u>\$ 25,351,452</u>	<u>\$ 25,418,452</u>	<u>\$ 33,380,895</u>	<u>\$ 7,962,443</u>

COUNTY OF LEHIGH, PENNSYLVANIA
 Health Choices Fund
 Adjustments to Reconcile GAAP Basis to Budgetary Basis
 For the Year Ended December 31, 2013

	<u>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses</u>	<u>Fund Balance at End of Year</u>
GAAP Basis	\$ 1,908,074	\$ 30,130,391
Increase (Decrease):		
Due to revenues:		
Received in cash during the year but accrued as receivables (net of deferred revenues) at December 31, 2012	55,076	
Accrued as receivables (net of deferred revenues) at December 31, 2013 but not recognized in budget	2,900,743	2,900,743
Due to expenditures:		
Paid in cash during the year but accrued as liabilities at December 31, 2012	(1,285,705)	
Accrued as liabilities at December 31, 2013 but not recognized in budget	<u>349,761</u>	<u>349,761</u>
Budgetary Basis	<u>\$ 3,927,949</u>	<u>\$ 33,380,895</u>

COUNTY OF LEHIGH, PENNSYLVANIA
 Children and Youth Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (Cash Basis) and Actual
 For the Year Ended December 31, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Over (Under)
REVENUES				
Taxes				
Grants and reimbursements	\$ 23,878,357	\$ 19,863,581	\$ 20,486,230	\$ 622,649
Departmental earnings	2,000	2,000	3,864	1,864
Costs and fines				
Investment income	501	501	10,559	10,058
Rents				
Payments in lieu of taxes				
Other revenues	2,000	2,000	14,213	12,213
Total revenues	<u>23,882,858</u>	<u>19,868,082</u>	<u>20,514,866</u>	<u>646,784</u>
EXPENDITURES				
Current:				
Elected officials				
County executive				
Administration				
Human services	26,247,861	25,530,735	22,748,979	(2,781,756)
General services				
Nursing homes				
Corrections				
Department of law				
Courts				
Development				
Total expenditures	<u>26,247,861</u>	<u>25,530,735</u>	<u>22,748,979</u>	<u>(2,781,756)</u>
Excess of revenues over (under) expenditures	<u>(2,365,003)</u>	<u>(5,662,653)</u>	<u>(2,234,113)</u>	<u>3,428,540</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	3,938,238	3,938,238	3,938,238	0
Indirect cost allocation in				
Operating transfers out	(556,004)	(605,117)	(563,476)	41,641
Indirect cost allocation out	<u>(1,017,231)</u>	<u>(1,017,231)</u>	<u>(1,017,231)</u>	<u>0</u>
Total other financing sources (uses)	<u>2,365,003</u>	<u>2,315,890</u>	<u>2,357,531</u>	<u>41,641</u>
Net change in fund balances	0	(3,346,763)	123,418	3,470,181
Fund balance, January 1	<u>0</u>	<u>5,396,499</u>	<u>5,396,231</u>	<u>(268)</u>
Fund balance, December 31	<u>\$ 0</u>	<u>\$ 2,049,736</u>	<u>\$ 5,519,649</u>	<u>\$ 3,469,913</u>

COUNTY OF LEHIGH, PENNSYLVANIA
Cedarbrook Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (Cash Basis) and Actual
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Over (Under)
REVENUES				
Taxes				
Grants and reimbursements	\$ 60,504,478	\$ 55,252,713	\$ 53,424,125	\$ (1,828,588)
Departmental earnings	5,826,241	5,826,241	6,537,002	710,761
Costs and fines				
Investment income	2,500	2,500	61	(2,439)
Rents				
Payments in lieu of taxes				
Other revenues	10,252	10,252	2,672	(7,580)
Total revenues	<u>66,343,471</u>	<u>61,091,706</u>	<u>59,963,860</u>	<u>(1,127,846)</u>
EXPENDITURES				
Current:				
Elected officials				
County executive				
Administration				
Human services				
General services				
Nursing homes	64,102,317	62,614,008	59,575,101	(3,038,907)
Corrections				
Department of law				
Courts				
Development				
Total expenditures	<u>64,102,317</u>	<u>62,614,008</u>	<u>59,575,101</u>	<u>(3,038,907)</u>
Excess of revenues over (under) expenditures	<u>2,241,154</u>	<u>(1,522,302)</u>	<u>388,759</u>	<u>1,911,061</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	3,844,727	7,257,207	6,816,434	(440,773)
Indirect cost allocation in				
Operating transfers out	(2,046,958)	(2,044,665)	(1,463,232)	581,433
Indirect cost allocation out	(4,038,923)	(4,038,923)	(4,038,923)	0
Total other financing sources (uses)	<u>(2,241,154)</u>	<u>1,173,619</u>	<u>1,314,279</u>	<u>140,660</u>
Net change in fund balances	0	(348,683)	1,703,038	2,051,721
Fund balance, January 1	0	348,683	346,622	(2,061)
Fund balance, December 31	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,049,660</u>	<u>\$ 2,049,660</u>

COUNTY OF LEHIGH, PENNSYLVANIA
 Cedarbrook Fund
 Adjustments to Reconcile GAAP Basis to Budgetary Basis
 For the Year Ended December 31, 2013

	Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	Fund Balance at End of Year
GAAP Basis	\$ 1,382,254	\$ 5,087,954
Increase (Decrease):		
Due to revenues:		
Received in cash during the year but accrued as receivables (net of deferred revenues) at December 31, 2012	5,953,494	
Accrued as receivables (net of deferred revenues) at December 31, 2013 but not recognized in budget	(7,671,307)	(7,671,307)
Due to expenditures:		
Paid in cash during the year but accrued as liabilities at December 31, 2012	(2,594,416)	
Accrued as liabilities at December 31, 2013 but not recognized in budget	4,633,013	4,633,013
Budgetary Basis	\$ 1,703,038	\$ 2,049,660