

***County of Lehigh,
Pennsylvania***

December 31, 2009

***Financial Statements
and Independent Auditors' Report***

County of Lehigh

Year Ended December 31, 2009

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Zelenkofske Axelrod LLC

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
County of Lehigh
Allentown, Pennsylvania

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 as of and for the year ended December 31, 2009, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Lehigh's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, as of December 31, 2009, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, in 2009 the County of Lehigh adopted the provisions of Governmental Accounting Standard Board's Statement No. 52, *"Land and Other Real Estate Held as Investments by Endowments"*.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2010, on our consideration of the County of Lehigh'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* and should be considered in assessing the results of our audit.

Harrisburg	Lehigh Valley	Philadelphia	Pittsburgh
830 Sir Thomas Court, Suite 100 Harrisburg, PA 17109 717.561.9200 Fax 717.561.9202	1101 West Hamilton Street Allentown, PA 18101-1043 610.871.5077 Fax 717.561.9202	2370 York Road, Suite A-5 Jamison, PA 18929 215.918.2277 Fax 215.918.2302	3800 McKnight E. Drive, Suite 3805 Pittsburgh, PA 15237 412.367.7102 Fax 412.367.7103

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Board of Commissioners
County of Lehigh
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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 10 and 44 through 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Zelenkofske Axelrod LLC

ZELENKOFSCHE AXELROD LLC

Allentown, Pennsylvania
June 23, 2010

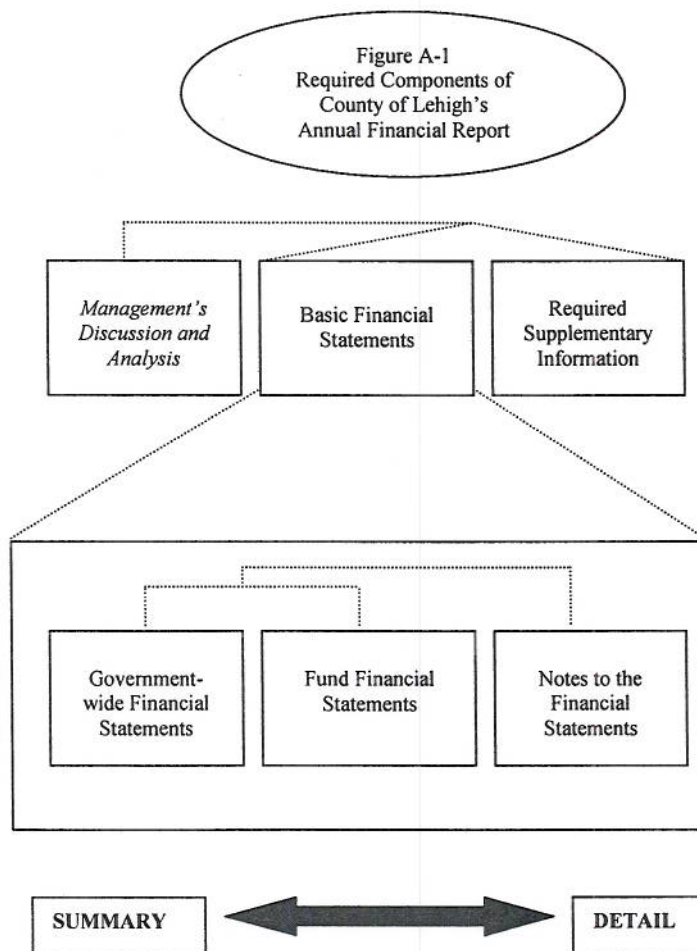
MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2009. 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.

<p>Figure A-2 Major Features of County of Lehigh's Government-wide and Fund Financial Statements</p>				
	<u>Government-wide Statements</u>	<u>Governmental Funds</u>	<u>Fund Statements Proprietary Funds</u>	<u>Fiduciary Funds</u>
Scope	Entire County Government (except fiduciary funds)	The activities of the County that are not proprietary or fiduciary, such as general governmental operations, courts, human services and public works	Activities the County operates similar to private businesses, such as Cedar View Apartments	Instances in which the County is the trustee or agent for someone else's resources, such as the retirement plan for County employees
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses, and changes in net assets • Statement of cash flow 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
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 assets includes *all* of the government'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 assets* and how they have changed. Net assets - the difference between the County's assets and liabilities - is a way to measure the County's financial health, *or position*. Over time, increases or decreases in the County's net assets are an indicator of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the County you need to consider additional nonfinancial factors such as changes in the County's property tax base and the anticipated level of funding from the federal and state governments.

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

Fund Financial Statements

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

- Some funds are required by state law and 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 assets and a statement of changes in fiduciary net assets. 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 \$143.3 million at the close of the 2009 fiscal year. The following is a condensed summary of net assets for the years 2008 and 2009.

County of Lehigh's Net Assets

	Total Governmental Activities		Total Business - Type Activities		Total	
	2008	2009	2008	2009	2008	2009
Current and other assets	\$ 254,960,964	\$ 198,188,932	\$ 943,429	\$ 831,025	\$ 255,904,393	\$ 199,019,957
Capital assets	222,911,590	233,153,656	1,289,515	1,360,173	224,201,105	234,513,829
Total Assets	477,872,554	431,342,588	2,232,944	2,191,198	480,105,498	433,533,786
General obligation bonds and notes payable	205,510,000	196,455,756			205,510,000	196,455,756
Other liabilities	87,449,429	93,698,326	81,206	92,437	87,530,635	93,790,763
Total liabilities	292,959,429	290,154,082	81,206	92,437	293,040,635	290,246,519
Net assets:						
Invested in capital assets, net of related debt	64,605,095	57,341,408	1,289,515	1,360,173	65,894,610	58,701,581
Restricted	72,691,575	58,370,521			72,691,575	58,370,521
Unrestricted	47,616,455	25,476,577	862,223	738,588	48,478,678	26,215,165
Total net assets	\$ 184,913,125	\$ 141,188,506	\$ 2,151,738	\$ 2,098,761	\$ 187,064,863	\$ 143,287,267

Current and other assets decreased \$56.9 million largely due to a decrease of \$37.5 million in cash and cash equivalents reserved for capital projects resulting from current year capital asset purchases and a decrease of \$12.1 million in cash and cash equivalents reserved for various human services funds. Total capital assets increased \$10.3 million due to the net of \$48.2 million in capital asset purchases, less \$11.2 million in current year accumulated depreciation, and less \$26.7 million in net capital asset retirements. See page 9, Note 5 on page 35, and Note 11 on page 42 for additional capital asset information.

General obligation bonds and notes decreased \$9 million due to net of current year principal payments of \$14 million and the issuance of \$5 million additional debt. See Note 3 on Page 33 for additional information concerning the County's long-term debt. Other liabilities increased \$6.3 million largely due to an increase in unfunded postemployment benefits other than pensions of \$4.4 million. See Note 7 on page 38 for additional information concerning postemployment benefits other than pensions.

Net assets invested in capital assets, net of related debt decreased \$7.2 million largely due to the net of principal payments on general obligation bonds and notes payable totaling \$14 million and the issuance of an additional \$5 million of general obligation notes. Restricted net assets decreased \$14.3 million largely due to a decrease in funds reserved for program expenditures of \$11.2 and a decrease in funds reserved for debt service payments of \$5 million. Unrestricted net assets decreased \$22.3 million largely due to the increase of \$4.4 million in postemployment benefits other than pensions noted above and a decrease of \$16.2 million in the general fund.

Changes in Net Assets:

The following is a summary of the key elements comprising the changes in net assets for the years 2008 and 2009.

County of Lehigh's Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>
Revenues:						
Program revenue:						
Charges for services	\$ 26,413,272	\$ 26,648,194	\$ 884,579	\$ 958,569	\$ 27,297,851	\$ 27,606,763
Operating grants and contributions	260,160,452	247,269,975			260,160,452	247,269,975
Capital grants and contributions	5,585,965				5,585,965	
General revenues:						
Property taxes	91,892,371	92,768,963			91,892,371	92,768,963
Unrestricted investment earnings	8,371,725	3,373,637	24,615	8,516	8,396,340	3,382,153
Transfers		50,691		(50,691)		
Total revenues	392,423,785	370,111,460	909,194	916,394	393,332,979	371,027,854
Expenses:						
Elected officials	18,251,560	19,915,655			18,251,560	19,915,655
County executive	4,307,996	4,605,890			4,307,996	4,605,890
Administration	13,539,982	41,673,672			13,539,982	41,673,672
Human services	191,431,285	183,336,945	861,911	969,371	192,293,196	184,306,316
General services	13,075,764	14,750,636			13,075,764	14,750,636
Nursing homes	58,882,544	62,046,676			58,882,544	62,046,676
Corrections	32,374,688	35,284,159			32,374,688	35,284,159
Department of law	121,358	186,966			121,358	186,966
Courts	32,630,673	35,126,946			32,630,673	35,126,946
Development	7,445,720	6,723,036			7,445,720	6,723,036
Interest on long-term debt	10,689,952	10,185,498			10,689,952	10,185,498
Total expenses	382,751,522	413,836,079	861,911	969,371	383,613,433	414,805,450
Changes in net assets	9,672,263	(43,724,619)	47,283	(52,977)	9,719,546	(43,777,596)
Ending net assets	\$184,913,125	\$141,188,506	\$ 2,151,738	\$ 2,098,761	\$187,064,863	\$143,287,267

The County's total revenues decreased \$22.3 million to \$371 million due to:

- A decrease in operating grants and contributions of \$12.9 million largely due to the net of the following decreases in Human Services funds: \$4.9 million in Children and Youth and \$13.2 million in Mental Retardation, and the following increases in Human Services funds: \$3.4 million in Health Choices and \$1.4 million in Area Agency on Aging.
- A decrease in capital grants and contributions of \$5.6 million due to state funded grant reimbursements related to the construction the Lehigh County Minor League Ballpark (Coca-Cola Park) received in 2008.
- An increase in property tax revenue of \$.9 million. Approximately 25% of total revenues are from property tax revenue.
- A decrease in investment earnings of \$5 million largely due to a decrease in cash balances as noted on page 6.

The County's expenditures totaled \$414.8 million. The Human Services and Nursing Homes functions comprise 59% of the total expenditures. The Corrections and Courts functions comprise 17% of the total expenditures.

Financial Analysis of the Governmental Funds

The County's governmental funds combined fund balances were \$139.2 million, which is a \$55.5 million decrease from the prior year. The primary reasons for this decrease in fund balances were:

- The General Fund decreased \$16.2 million due to the use of Green Futures Fund balances for agricultural land preservation purchases and the prudent use of Operating Fund balances for the benefit of taxpayers.
- The Health Choices Fund decreased \$8.7 million due to an \$8.3 million transfer to the Affordable Housing Fund for designated housing initiatives.
- Bond Fund 2007 decreased \$25.4 due to continuation of the courthouse renovation expansion project. Remaining funds are restricted for future capital asset construction and purchase.
- The Other Governmental Funds decreased \$5.2 million largely due to bond fund proceeds used for capital asset construction and purchase as well as principal payment on note payable discussed on page 6.

General Fund Budgetary Highlights

Original vs. Final Budget

Differences between the original adopted budget and the final amended budget of expenditures in the General Fund resulted in a net increase of \$7.3 million, or 4.5 percent. This increase is largely due to an increase in the Development expenditure budget from \$1.1 million to \$4.9 million which is the result of revisions for several projects, such as the state funded Redevelopment Assistance Capital Program (RACP), that were not originally budgeted and are funded by state grant revenues.

Final Budget vs. Actual

- \$1.3 million unfavorable variance in grant revenues.
- \$.7 million unfavorable variance in investment income due to continued unfavorable interest rates.
- \$1.9 million favorable variance in Courts expenditures largely due to favorable juvenile institution placement experience.
- \$1 million favorable variance in Nursing Home expenditures due to favorable budgetary variations in workforce and improved operational procedures.
- Overall net favorable other financing sources / (uses) variance of \$7 million 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, 2008 and December 31, 2009:

County of Lehigh's Capital Assets

	Total Governmental Activities		Total Business-Type Activities		Total	
	2008	2009	2008	2009	2008	2009
Land	\$ 12,491,810	\$ 12,314,925	\$ 236,533	\$ 236,533	\$ 12,728,343	\$ 12,551,458
Buildings and improvements	177,985,354	175,474,504	1,038,754	883,393	179,024,108	176,357,897
Machinery and equipment	10,671,945	13,615,036	9,706	221,247	10,681,651	13,836,283
Furniture and Fixtures	1,904,894	3,063,815	4,522	19,000	1,909,416	3,082,815
Easements	11,314,726	14,351,085			11,314,726	14,351,085
Infrastructure	8,542,861	14,334,291			8,542,861	14,334,291
Total	\$ 222,911,590	\$ 233,153,656	\$ 1,289,515	\$ 1,360,173	\$ 224,201,105	\$ 234,513,829

Noteworthy capital asset purchases/projects that took place in 2009 were as follows:

- \$3.4 million - Purchased additional land easements for agricultural land preservation
- \$22.6 million - Continuation of the courthouse renovation expansion project
- \$4.8 million - Renovations creating a new 911 emergency communication center
- \$5.7 million - Major bridge reconstruction

As noted in Footnote 11 on page 42, the Lehigh County Authority took full ownership of the County's wastewater pretreatment plant in 2009 resulting in a net capital asset reduction of \$26.7 million (\$60.5 million cost less \$33.8 million accumulated depreciation).

Additional information of the County's Capital Assets can be found in Note 5 on page 35.

Debt Administration

At year-end the County had \$191.5 million in general obligation bonds and \$5 million in a general obligation note outstanding. More detailed information about the County's long-term liabilities is presented in Note 3 on Page 33.

The County's general obligation debt has been rated as Aa2 by Moody's Investor Services due to the County's stable financial position and has recently been recalibrated to Aa1.

State statutes limit the amount of general obligation debt a governmental entity may issue. The current debt limitation for the County of Lehigh is \$539 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 the Allentown-Bethlehem-Easton metropolitan area now stands at 10.2 percent versus 8.1 percent a year ago. This is the slightly higher than the state's rate of 9.4 percent and is the same as the national rate.
- 2009 inflation in the Lehigh Valley (Lehigh and Northampton counties) was the same as the national rate and slightly less than the Philadelphia region rate:
 - The national rate and Lehigh Valley rate was 2.7 percent.
 - The Philadelphia region rate was 3 percent.

These indicators were taken into account when adopting the general fund budget for 2010.

Property tax millage for 2010 is the same as 2009 - 10.25 mills.

Request for Information

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

COUNTY OF LEHIGH, PENNSYLVANIA

Statement of Net Assets

December 31, 2009

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 145,904,277	\$ 830,793	\$ 146,735,070
Investments	1,450,269		1,450,269
Receivables:			
Grants	30,859,477		30,859,477
Real estate taxes	3,589,265		3,589,265
Mortgage	1,103,776		1,103,776
Other	5,483,905	232	5,484,137
Unamortized bond issuance costs	496,993		496,993
Other	3,667,425		3,667,425
Cash and cash equivalents - restricted	5,633,545		5,633,545
Capital assets, not being depreciated	12,314,925	236,533	12,551,458
Capital assets (net of accumulated depreciation)	220,838,731	1,123,640	221,962,371
Total assets	<u>431,342,588</u>	<u>2,191,198</u>	<u>433,533,786</u>
LIABILITIES			
Accounts payable	25,915,708	38,334	25,954,042
Deposits and agency amounts payable	5,633,545		5,633,545
Accrued payroll and payroll taxes	5,962,319	7,705	5,970,024
Due to other governmental units	161,867		161,867
Unearned grant revenues	12,785,484		12,785,484
Current portions of long term liabilities:			
General obligation bonds payable	10,445,000		10,445,000
Note payable	257,756		257,756
Unamortized bond premium	414,000		414,000
Noncurrent portions of long term liabilities:			
Accrued vacation and other compensation	13,453,903		13,453,903
Accrued worker's compensation	3,644,017		3,644,017
General obligation bonds payable	181,035,000		181,035,000
Note payable	4,718,000		4,718,000
Unamortized bond premium	4,148,315		4,148,315
Unfunded other postemployment benefits	21,579,168	46,398	21,625,566
Total liabilities	<u>290,154,082</u>	<u>92,437</u>	<u>290,246,519</u>
NET ASSETS			
Invested in capital assets (net of related debt)	57,341,408	1,360,173	58,701,581
Restricted for:			
Program expenditures	53,243,031		53,243,031
Debt service	568,569		568,569
Bond financed improvements	4,558,921		4,558,921
Unrestricted	25,476,577	738,588	26,215,165
Total net assets	<u>\$ 141,188,506</u>	<u>\$ 2,098,761</u>	<u>\$ 143,287,267</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, 2009

Function	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Indirect Expenses Allocation	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities
Governmental activities:						
Elected officials	\$ 18,431,507	\$ 1,484,148	\$ 5,640,931	\$ 1,664,545	\$ (12,610,179)	\$ (12,610,179)
County executive	3,637,393	968,497	7,233	36,988	(4,561,669)	(4,561,669)
Administration	53,337,136	(11,663,464)	5,218,694	956,580	(35,498,398)	(35,498,398)
Human services	181,072,055	2,264,890	195,555	172,083,897	(11,057,493)	(11,057,493)
General services	15,580,388	(829,752)	371,569	6,674,911	(7,704,156)	(7,704,156)
Nursing homes	58,461,659	3,585,017	6,556,633	52,019,883	(3,470,160)	(3,470,160)
Corrections	33,823,788	1,460,371	3,241,072	1,305,162	(30,737,925)	(30,737,925)
Department of law	1,391,295	(1,204,329)	211,378	7,519,388	24,412	24,412
Courts	31,498,671	3,628,275	4,040,751	7,519,388	(23,566,807)	(23,566,807)
Development	6,485,221	237,815	1,164,378	5,008,621	(550,037)	(550,037)
Interest on long-term debt	10,185,498				(10,185,498)	(10,185,498)
Total governmental activities	\$ 413,904,611	\$ (68,532)	\$ 26,648,194	\$ 247,269,975	\$ (139,917,910)	\$ (139,917,910)
Business-type activities:						
Enterprise funds	\$ 900,839	\$ 68,532	\$ 958,569		\$ (10,802)	\$ (10,802)
Total primary government	\$ 414,805,450	\$ 0	\$ 27,606,763	\$ 247,269,975	\$ (139,917,910)	\$ (139,928,712)
General revenues:						
Taxes						
Unrestricted investment earnings						
Transfers						
					92,768,963	92,768,963
					3,373,637	8,516
					50,691	(50,691)
						0
Total general revenues					96,193,291	(42,175)
Change in net assets					(43,724,619)	(52,977)
Net assets, January 1					184,913,125	2,151,738
Net assets, December 31					\$ 141,188,506	\$ 2,098,761
					\$ 143,287,267	

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

COUNTY OF LEHIGH, PENNSYLVANIA
Balance Sheet
Governmental Funds
December 31, 2009

	General	Health Choices	Area Agency on Aging	Mental Retardation	Bond Fund 2007	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 44,579,255	\$ 33,697,110	\$ 1,715,056	\$ 4,883,025	\$ 31,019,903	\$ 24,729,396	\$ 140,623,745
Investments	1,450,269						1,450,269
Receivables:							
Grants	7,382,407	1,008,266	6,764,931	227,907		15,475,966	30,859,477
Real estate taxes	3,589,265						3,589,265
Mortgage	1,103,776						1,103,776
Other	5,118,753	50	8,083	4,257		352,762	5,483,905
Other	67,425					3,600,000	3,667,425
Cash and cash equivalents - restricted	869,760	4,600,000				163,785	5,633,545
Total assets	\$ \$64,160,910	\$ \$39,305,426	\$ \$8,488,070	\$ \$5,115,189	\$ \$31,019,903	\$ \$44,321,909	\$ \$192,411,407
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	3,304,694	2,189,959	8,341,436	705,768	1,648,123	9,684,509	25,874,489
Deposits and agency amounts payable	869,760	4,600,000				163,785	5,633,545
Payroll and payroll taxes	4,784,167	16,424	146,634	130,593		850,090	5,927,908
Due to other governmental units	94,802				67,065		161,867
Unearned revenues:							
Grants	944,271			4,278,828		7,562,385	12,785,484
Real estate taxes	2,820,899						2,820,899
Total liabilities	\$ 12,818,593	\$ 6,806,383	\$ 8,488,070	\$ 5,115,189	\$ 1,715,188	\$ 18,260,769	\$ 53,204,192
Fund balances:							
Reserved for:							
Program expenditures		32,499,043				20,743,988	53,243,031
Debt service						568,569	568,569
Bond financed improvements					29,304,715	460,029	29,764,744
Unreserved	51,342,317					4,288,554	55,630,871
Total fund balances	\$ 51,342,317	\$ 32,499,043	\$ 0	\$ 0	\$ 29,304,715	\$ 26,061,140	\$ 139,207,215
Total liabilities and fund balances	\$ \$64,160,910	\$ \$39,305,426	\$ \$8,488,070	\$ \$5,115,189	\$ \$31,019,903	\$ \$44,321,909	\$ \$192,411,407

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 Assets
December 31, 2009

Total fund balances for governmental funds	\$ 139,207,215
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Total net assets reported for governmental activities in the statement of net assets 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	12,314,925
Buildings and improvements, net of \$77,282,570 accumulated depreciation	175,474,504
Machinery and equipment, net of \$32,621,533 accumulated depreciation	13,615,036
Furniture and fixtures, net of \$3,724,230 accumulated depreciation	3,063,815
Easements, net of \$2,486,716 accumulated depreciation	14,351,085
Infrastructure, net of \$2,311,005 accumulated depreciation	<u>14,334,291</u>

Total capital assets	233,153,656
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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 assets.

5,204,902

Governmental funds report the effect of bond issuance costs when debt is first issued. These amounts are deferred and amortized over the life of the bonds in the statement of net assets.

496,993

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

2,820,899

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 assets.

Balances at December 31, 2009 are:

Accrued vacation and other compensation	(13,453,903)	
Accrued worker's compensation	(3,644,017)	
Bonds and notes payable	(196,455,756)	
Unamortized bond premium	(4,562,315)	
Unfunded other postemployment benefits	<u>(21,579,168)</u>	<u>(239,695,159)</u>

Total net assets of governmental activities	\$ <u>141,188,506</u>
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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, 2009

	General	Health Choices	Area Agency on Aging	Mental Retardation	Bond Fund 2007	Other Governmental Funds	Total Governmental Funds
REVENUES							
Taxes	\$ 92,872,873						\$ 92,872,873
Grants and reimbursements	62,289,799	\$ 65,457,039	\$ 46,293,060	\$ 26,813,229		\$ 48,166,848	249,019,975
Departmental earnings	17,999,649		168,308	7,794		2,023,198	20,198,949
Judicial costs and fines	3,593,868					49,317	3,643,185
Investment income	723,366	265,478	15,076	104,737	\$ 1,890,876	374,104	3,373,637
Rents	489,740					1,290,126	1,779,866
Other	462,273		3,110			146,811	612,194
Total revenues	<u>178,431,568</u>	<u>65,722,517</u>	<u>46,479,554</u>	<u>26,925,760</u>	<u>1,890,876</u>	<u>52,050,404</u>	<u>371,500,679</u>
EXPENDITURES							
Elected officials	16,637,881				19,326	1,167,810	17,825,017
County executive	3,103,528					9,184	3,112,712
Administration	18,186,351				21,662,435	8,180,310	48,029,096
Human services	668,905					42,575,620	181,210,684
General services	8,651,879		45,369,132	27,122,153		16,117,502	29,822,535
Nursing homes	55,708,818	65,474,874			5,053,154	4,004,458	60,050,983
Corrections	31,391,525				337,707	192,988	31,848,513
Department of law	1,352,096				264,000		1,352,096
Courts	25,401,779					5,139,404	30,541,183
Development	4,052,921	194,290	595,302	357,912		2,157,209	6,210,130
Indirect cost allocation charges	(3,028,435)					1,812,399	(68,532)
Debt Service:							
Principal retirement						13,785,165	13,785,165
Interest						9,076,778	9,076,778
Total expenditures	<u>162,127,248</u>	<u>65,669,164</u>	<u>45,964,434</u>	<u>27,480,065</u>	<u>27,336,622</u>	<u>104,218,827</u>	<u>432,796,360</u>
Excess of revenues over (under) expenditures	<u>16,304,320</u>	<u>53,353</u>	<u>515,120</u>	<u>(554,305)</u>	<u>(25,445,746)</u>	<u>(52,168,423)</u>	<u>(61,295,681)</u>
OTHER FINANCING SOURCES (USES)							
Operating transfers in	746,787						44,686,701
Operating transfers out	(33,210,933)	(8,802,412)	482,202	728,444		42,729,268	(43,875,412)
Proceeds of general obligation note			(997,322)	(174,139)		(690,606)	4,975,756
Total other financing sources / (uses)	<u>(32,464,146)</u>	<u>(8,802,412)</u>	<u>(515,120)</u>	<u>554,305</u>	<u>0</u>	<u>47,014,418</u>	<u>5,787,045</u>
Net change in fund balances	<u>(16,159,826)</u>	<u>(8,749,059)</u>	<u>0</u>	<u>0</u>	<u>(25,445,746)</u>	<u>(5,154,005)</u>	<u>(55,508,636)</u>
Fund balances, January 1	67,502,143	41,248,102	0	0	54,750,461	31,215,145	194,715,851
Fund balances, December 31	<u>\$ 51,342,317</u>	<u>\$ 32,499,043</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 29,304,715</u>	<u>\$ 26,061,140</u>	<u>\$ 139,207,215</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, 2009

Net change in fund balances – total governmental funds \$ (55,508,636)

The change in assets 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. This is the amount by which capital outlays exceeded net depreciation in the current period. 10,242,066

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. 9,181,031

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 five balances.

Accrued worker's compensation	(61,573)	
Accrued vacation and other compensation	(1,331,729)	
Unearned real estate tax revenue	(103,910)	
Unearned grant revenue	(1,750,000)	
Other postemployment benefits	<u>(4,406,431)</u>	
		(7,653,643)

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 \$660,781 depreciation which is included in the capital outlays adjustment above) is included in the governmental activities. 14,563

Change in net assets of governmental activities \$ (43,724,619)

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

COUNTY OF LEHIGH, PENNSYLVANIA

Statement of Net Assets

Proprietary Funds

December 31, 2009

	<u>Business-type Activities Enterprise Funds</u>	<u>Governmental Activities Internal Service Fund</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 830,793	\$ 5,280,532
Other receivables	232	
Total current assets	<u>831,025</u>	<u>5,280,532</u>
Noncurrent assets:		
Capital assets:		
Land and improvements	236,533	
Buildings and improvements	5,846,797	21,013,271
Equipment	328,953	1,019,877
Furniture and fixtures	40,983	1,441,539
Less accumulated depreciation	<u>(5,093,093)</u>	<u>(8,785,861)</u>
Total capital assets (net of accumulated depreciation)	<u>1,360,173</u>	<u>14,688,826</u>
TOTAL ASSETS	<u>\$ 2,191,198</u>	<u>\$ 19,969,358</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 38,334	\$ 41,219
Accrued payroll and payroll taxes	7,705	34,411
Current portion of general obligation bonds payable		223,545
Total current liabilities	<u>46,039</u>	<u>299,175</u>
Noncurrent liabilities:		
General obligation bonds payable		21,706,026
Unfunded other postemployment benefits	<u>46,398</u>	
TOTAL LIABILITIES	<u>92,437</u>	<u>22,005,201</u>
NET ASSETS		
Invested in capital assets, net of related debt	1,360,173	(7,240,745)
Unrestricted	738,588	5,204,902
TOTAL NET ASSETS (DEFICIT)	<u>\$ 2,098,761</u>	<u>\$ (2,035,843)</u>

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

COUNTY OF LEHIGH, PENNSYLVANIA
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2009

	Business-type Activities <u>Enterprise Funds</u>	Governmental Activities <u>Internal Service Fund</u>
OPERATING REVENUES		
Tenant rentals - Cedar View	\$ 958,569	
Government Center revenues		\$ 3,282,001
Total operating revenues	<u>958,569</u>	<u>3,282,001</u>
OPERATING EXPENSES		
Administration and maintenance:		
Cedar View apartments	718,314	
Government Center		1,463,602
Depreciation	182,525	660,781
Indirect cost allocation charges	68,532	
Total operating expenses	<u>969,371</u>	<u>2,124,383</u>
OPERATING INCOME / (LOSS)	<u>(10,802)</u>	<u>1,157,618</u>
NONOPERATING REVENUES (EXPENSES)		
Investment earnings	8,516	65,482
Interest expense		(1,108,720)
Total nonoperating revenues (expenses)	<u>8,516</u>	<u>(1,043,238)</u>
OTHER FINANCING USES		
Transfers out	(50,691)	(760,598)
Change in net assets	(52,977)	(646,218)
Total net assets (deficit), January 1	<u>2,151,738</u>	<u>(1,389,625)</u>
Total net assets (deficit), December 31	<u>\$ 2,098,761</u>	<u>\$ (2,035,843)</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, 2009

	Business-type Activities <u>Enterprise Funds</u>	Governmental Activities <u>Internal Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 958,542	\$ 3,282,001
Payments to suppliers	(482,339)	(469,900)
Payments to employees	(179,114)	(752,931)
Payments of benefits on behalf of employees	(45,705)	(231,912)
Indirect cost allocation charges	(68,532)	
Net cash provided by operating activities	<u>182,852</u>	<u>1,827,258</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers to other funds	(50,691)	(760,598)
Net cash used for noncapital financing activities	<u>(50,691)</u>	<u>(760,598)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(253,183)	
Principal paid on capital debt		(244,835)
Interest paid on capital debt		(1,108,720)
Net cash used by capital and related financing activities	<u>(253,183)</u>	<u>(1,353,555)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends on investments	8,516	224,938
Net cash provided by investing activities	<u>8,516</u>	<u>224,938</u>
Net decrease in cash and cash equivalents	(112,506)	(61,957)
Cash and cash equivalents, January 1	<u>943,299</u>	<u>5,342,489</u>
Cash and cash equivalents, December 31	<u>\$ 830,793</u>	<u>\$ 5,280,532</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income / (loss)	\$ (10,802)	\$ 1,157,618
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	182,525	660,781
Change in assets and liabilities:		
Increase in other receivables	(102)	
Increase in accounts payable	690	4,323
Increase in deposits and agency amounts payable	75	
Increase in payroll and payroll taxes payable	1,020	4,536
Increase in unfunded other postemployment benefits payable	9,446	
Net cash provided by operating activities	<u>\$ 182,852</u>	<u>\$ 1,827,258</u>

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

COUNTY OF LEHIGH, PENNSYLVANIA
Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2009

	Employee Retirement Plan	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 10,618,366	\$ 14,243,980
Investments, at fair value:		
United States government and municipal obligations	32,593,097	27,122
Corporate and foreign bonds	14,452,292	137,754
Collateralized mortgages	3,803,853	
Common stock	89,945,223	219,240
Mutual fund - corporate bonds	65,804,837	
Mutual fund - common stock	39,913,344	
Mutual fund - foreign stock	64,048,366	
Partnerships - real estate	5,000,375	
Total investments	<u>315,561,387</u>	<u>384,116</u>
Receivables:		
Interest and dividends	470,674	
Employee contributions	298,599	
Other		39,429
Total receivables	<u>769,273</u>	<u>39,429</u>
Total assets	<u>\$ 326,949,026</u>	<u>\$ 14,667,525</u>
LIABILITIES		
Accounts payable	\$ 217,439	\$ 590,174
Deposits and agency amounts payable		11,145,461
Due to other governmental units		2,931,890
Withdrawals payable	111,488	
Pension benefits payable	286,339	
Due to broker	162,720	
Total liabilities	<u>\$ 777,986</u>	<u>\$ 14,667,525</u>
NET ASSETS		
Held in trust for pension benefits	<u>\$ 326,171,040</u>	

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

COUNTY OF LEHIGH, PENNSYLVANIA
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended December 31, 2009

	<u>Employee Retirement Plan</u>
ADDITIONS	
Contributions:	
Employee	\$ 6,337,272
Employer	<u>8,046,712</u>
Total contributions	14,383,984
Investment income:	
Interest and dividend income	4,809,527
Net appreciation (depreciation) in fair value of investments:	
United States government and municipal obligations	(584,111)
Corporate and foreign bonds	1,825,193
Collateralized mortgages	225,978
Common stock	19,362,225
Mutual fund - corporate bonds	4,751,725
Mutual fund - common stock	9,582,405
Mutual fund - foreign stock	11,570,616
Partnerships - real estate	<u>(3,847,320)</u>
	42,886,711
Less investment expenses	<u>(921,060)</u>
Net investment income	<u>46,775,178</u>
Other additions	<u>62,050</u>
Total additions	61,221,212
DEDUCTIONS	
Employee contributions refunded	516,840
Retirement benefits paid	15,837,122
Death benefits paid	696,688
Administrative expense	<u>79,029</u>
Total deductions	<u>17,129,679</u>
Change in net assets	44,091,533
Net assets, January 1	<u>282,079,507</u>
Net assets, December 31	<u><u>\$ 326,171,040</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, 2009

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 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 Governmental Accounting Standards Board Statement No. 39, "Determining Whether Certain Organizations are Component Units", an amendment of Statement No. 14, "The Financial Reporting Entity", 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 2009, the County paid \$475,000 in support of this Commission. The County also supports the Lehigh and Northampton Transportation Authority, which owns and operates a bus transportation system. In 2009, 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 Statement 33 – *Accounting and financial Reporting for Non-Exchange Transactions*.

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 assets, 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 in GASB Statement Number 34. 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 collected 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 assets. 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 assets, such long-term amounts are not recognized as governmental fund expenditures or fund liabilities.

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

The County's major Governmental Funds are General Fund, Health Choices Fund, Area Agency on Aging Fund, Mental Retardation 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 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 mental retardation) that are restricted to expenditures for those specified purposes.

The Area Agency on Aging Fund is used to account for the proceeds of specific revenue sources related to the provision of aging services that are restricted to expenditures for those specified purposes.

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

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 are reported as nonoperating revenues as they are ancillary to the principal ongoing operations.

Pursuant to Section P80 of Governmental Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, the County has elected not to apply to its proprietary activities Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989.

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 a 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 2009 real estate taxes assessed equaled \$93,739,261 based on a total County valuation of \$9,145,293,800. Based on the 2009 levy of 10.25 mills, a property owner would pay \$10.25 per \$1,000 of assessed valuation.

The dates relevant to the collection of delinquent 2009 real estate taxes are as follows:

July 31, 2010	Notices of unpaid delinquent taxes must be mailed by the County.
September 2, 2011	Posting of properties of the pending tax sale (upset sale) to force the recovery of unpaid delinquent taxes, penalties, costs, and interest.
September 12, 2011	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, 2011	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 property, plant, equipment, furniture, easements, 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 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
Easements	40 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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

Unearned revenues reported in the government-wide financial statements represent unearned revenues. The unearned revenues will be recognized as revenue in the fiscal year they are earned in accordance with the accrual basis of accounting. Unearned revenues reported in governmental fund financial statements represent unearned revenues or revenues which are measurable but not available and, in accordance with the modified accrual basis of accounting, are reported as unearned revenues. The County deems revenues received within 180 days of year end to be available with the exception of property taxes which must be received within 60 days of year end to be deemed available.

Net Assets/Fund Balances

The government-wide financial statements utilize a net assets presentation. Net assets are categorized as invested capital assets (net of related debt), restricted and unrestricted.

- *Invested in Capital Assets, Net of Related Debt* – This category groups all capital assets into one component of net assets. 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 Assets* – 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 Assets* - This category represents net assets of the County, not restricted for any project or other purpose.

In the fund financial statements, reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various reserves and designations are established by actions of the Board and management and can be increased, reduced or eliminated by similar actions.

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.

Adoption of Governmental Accounting Standards Board Statements

The County adopted the provisions of GASB Statement No. 52, "*Land and Other Real Estate Held as Investments by Endowments*". The adoption of this statement had no effect on the financial reporting information of the County.

Pending Changes in Accounting Principles

In July 2007, the GASB issued Statement No. 51, "*Accounting and Financial Report for Intangible Assets*". The County is required to adopt Statement No. 51 for its calendar year 2010 financial statements.

In June 2008, the GASB issued Statement No. 53, "*Accounting and Financial Reporting for Derivative Instruments*". The County is required to adopt Statement No. 53 for its calendar year 2010 financial statements.

In March 2009, the GASB issued Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*". The County is required to adopt Statement No. 54 for its calendar year 2011 financial statements.

In December 2009, the GASB issued Statement No. 57, "*OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*". The County is required to adopt statement No. 57 for its calendar year 2012 financial statements.

In December 2009, the GASB issued Statement No. 58, "*Accounting and Financial Reporting for Chapter 9 Bankruptcies*". The County is required to adopt statement No. 58 for its calendar year 2010 financial statements.

The County has not yet completed the various analysis required to estimate the financial statement impact of these new pronouncements.

NOTE 2 DEPOSIT AND INVESTMENT RISK

As of December 31, 2009, the County had the following debt investments and maturities within its governmental, proprietary, and agency funds:

Investment Type	Investment Maturities (in Years)				
	Fair Value	Less Than 1	1-5	6-10	More Than 10
Cash and cash equivalents	\$ 166,612,595	\$ 166,612,595			
U.S. government treasuries	1,477,391	743,671	\$ 733,720		
Corporate bonds	137,754	114,200	23,554		
Total	\$ 168,227,740	\$ 167,470,466	\$ 757,274		

As of December 31, 2009, 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
Cash and cash equivalents	\$ 10,618,366	\$ 10,618,366			
U.S. government treasuries	11,781,590	447,975	\$ 5,834,690	\$ 4,463,172	1,035,753
U.S. government agencies	20,811,507		4,013,752	7,299,879	\$ 9,497,876
Corporate bonds	14,452,292	339,494	3,639,996	7,539,748	2,933,054
Total	\$ 57,663,755	\$ 11,405,835	\$ 13,488,438	\$ 19,302,799	\$ 13,466,683

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

The County's Retirement Plan Investment Policy states that emphasis shall be placed on providing adequate and timely investment cash flow to permit benefit payments from the Retirement Plan when due. Fixed income investment allocation is targeted to 34% (with an allowable range of +/- 5%) of the portfolio. The investments may be adjusted to meet economic and/or investment market conditions.

Credit Risk – The County's investment policy limits operating fund's investments in federal agency securities that carry direct or implied guarantees of the U.S. Government. The County's governmental, proprietary, and agency funds investments of \$1,477,391 were comprised of various U.S. Treasury Bills, all of which will mature within one year or one to five years, as noted above.

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 15% 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, 2009, the County's retirement investments had a credit rating as follows:

Investment Type	Credit Quality Rating	Percent of Investment Type
Cash Equivalent	Aaa	100%
U.S. Government Treasuries	Aaa	100%
U.S. Government Agencies	Aaa	100%
Corporate Bonds	Aaa	13%
Corporate Bonds	A1	17%
Corporate Bonds	A2	28%
Corporate Bonds	A3	15%
Corporate Bonds	Aa1	4%
Corporate Bonds	Aa2	10%
Corporate Bonds	Aa3	7%
Corporate Bonds	Baa1	4%
Corporate Bonds	Baa2	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, 2009, the County's cash and restricted cash balances for its governmental funds, proprietary funds and agency funds were \$166,612,595 and its bank balances were \$174,878,939. 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.

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, 2009:

	Balance at January 1, 2009	Additions	Retirements	Balance at December 31, 2009	Amount due within one year
Accrued vacation and other compensation	\$ 12,122,174	\$ 1,331,729		\$ 13,453,903	
Accrued worker's compensation	3,582,444	2,088,252	\$ (2,026,679)	3,644,017	
General obligation bonds payable	201,510,000		(10,030,000)	191,480,000	\$ 10,445,000
Note payable	4,000,000	4,975,756	(4,000,000)	4,975,756	257,756
Unamortized bond premium/discount	4,976,315		(414,000)	4,562,315	414,000
	<u>\$ 226,190,933</u>	<u>\$ 8,395,737</u>	<u>\$ (16,470,679)</u>	<u>\$ 218,115,991</u>	<u>\$ 11,116,756</u>

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, 2009:

\$88,210,000 2001 General Obligation Bonds, serial bonds due in annual installments of \$4,890,000 to \$12,150,000 through November 15, 2016, interest rate of 5.00%	\$ 64,125,000
\$47,425,000 2004 General Obligation Bonds, serial bonds due in annual installments of \$130,000 to \$5,970,000 through November 15, 2017, interest rates vary from 3.25% to 5.00%	19,505,000
\$76,895,000 2007 General Obligation Bonds, serial bonds due in annual installments of \$5,000 to \$12,635,000 through November 15, 2022, interest rates vary from 4.00% to 5.00%	76,890,000
\$18,120,000 2007 Federally Taxable General Obligation Bonds, serial bonds due in annual installments of \$275,000 to \$1,215,000 through December 15, 2037, interest rates vary from 5.29% to 5.85%	17,615,000
\$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%	<u>13,345,000</u>
	191,480,000
\$4,975,756 2009 General Obligation Note, due in quarterly installments of \$63,756 to \$109,000 through September 1, 2024, interest rate of 3.73%	<u>4,975,756</u>
	<u>\$ 196,455,756</u>

The annual requirements to amortize all general obligation bonds and notes payable as of December 31, 2009 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>	
2010	\$ 10,479,211	\$ 8,801,820	\$ 223,545	\$1,096,479	\$ 10,702,756	\$ 9,898,299	\$ 20,601,055
2011	10,277,462	8,290,542	955,538	1,085,301	11,233,000	9,375,843	20,608,843
2012	7,986,269	7,837,979	3,756,731	1,037,524	11,743,000	8,875,503	20,618,503
2013	8,380,076	7,453,048	3,942,924	849,688	12,323,000	8,302,736	20,625,736
2014	8,795,883	7,050,205	4,139,117	652,542	12,935,000	7,702,747	20,637,747
2015-2019	58,480,284	28,317,512	8,911,716	673,943	67,392,000	28,991,455	96,383,455
2020-2024	46,767,000	12,788,164			46,767,000	12,788,164	59,555,164
2025-2029	6,140,000	5,395,625			6,140,000	5,395,625	11,535,625
2030-2034	9,430,000	3,515,633			9,430,000	3,515,633	12,945,633
2035-2037	7,790,000	814,230			7,790,000	814,230	8,604,230
	<u>\$174,526,185</u>	<u>\$90,264,758</u>	<u>\$ 21,929,571</u>	<u>\$5,395,477</u>	<u>\$196,455,756</u>	<u>\$95,660,235</u>	<u>\$292,115,991</u>

On February 23, 2009, the County issued \$4,975,756 General Obligation Note, Series 2009. The proceeds of this note will finance the acquisition, installation, replacement, construction, reconstruction, and renovation of and to the buildings and equipment of the County for the purpose of creating greater energy efficiency.

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, 2009 are as follows:

Transfer In:				
	<u>General Fund</u>	<u>Area Agency On Aging Fund</u>	<u>Mental Retardation Fund</u>	<u>Other Governmental Funds</u>
Transfer Out:				
General Fund		\$ 482,202	\$ 728,444	\$ 32,000,287
Health Choices Fund				8,802,412
Area Agency on Aging Fund				997,322
Mental Retardation Fund				174,139
Other Governmental Funds	\$ 690,606			
Enterprise Fund				50,691
Internal Service Fund	56,181			704,417
	<u>\$ 746,787</u>	<u>\$ 482,202</u>	<u>\$ 728,444</u>	<u>\$ 42,729,268</u>
				<u>\$ 760,598</u>

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2009 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	\$12,491,810	\$203,829	(\$380,714)	\$12,314,925
Capital assets, being depreciated:				
Buildings and improvements	270,643,443	29,750,932	(47,637,301)	252,757,074
Machinery and equipment	51,977,724	6,949,154	(12,690,309)	46,236,569
Furniture and fixtures	5,507,678	1,531,533	(251,166)	6,788,045
Easements	13,464,821	3,372,980		16,837,801
Infrastructure	10,514,021	6,131,275		16,645,296
Total capital assets, being depreciated	<u>352,107,687</u>	<u>47,735,874</u>	<u>(60,578,776)</u>	<u>339,264,785</u>
Total capital assets, historical cost	<u>364,599,497</u>	<u>47,939,703</u>	<u>(60,959,490)</u>	<u>351,579,710</u>
Less accumulated depreciation for:				
Buildings and improvements	(92,658,089)	(6,067,073)	21,442,592	(77,282,570)
Machinery and equipment	(41,305,779)	(3,906,614)	12,590,860	(32,621,533)
Furniture and fixtures	(3,602,784)	(365,172)	243,726	(3,724,230)
Easements	(2,150,095)	(336,621)		(2,486,716)
Infrastructure	(1,971,160)	(339,845)		(2,311,005)
Total accumulated depreciation	<u>(141,687,907)</u>	<u>(11,015,325)</u>	<u>34,277,178</u>	<u>(118,426,054)</u>
Total capital assets, net of accumulated depreciation	<u>\$222,911,590</u>	<u>\$36,924,378</u>	<u>(\$26,682,312)</u>	<u>\$233,153,656</u>
 Business-type Activities:	 <u>Beginning Balance</u>	 <u>Increases</u>	 <u>Decreases</u>	 <u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$236,533			\$236,533
Capital assets, being depreciated:				
Buildings and improvements	5,846,797			5,846,797
Machinery and equipment	91,511	237,442		328,953
Furniture and fixtures	25,242	15,741		40,983
Total capital assets, being depreciated	<u>5,963,550</u>	<u>253,183</u>	<u>-</u>	<u>6,216,733</u>
Total capital assets, historical cost	<u>6,200,083</u>	<u>253,183</u>	<u>-</u>	<u>6,453,266</u>
Less accumulated depreciation for:				
Buildings and improvements	(4,808,043)	(155,361)		(4,963,404)
Machinery and equipment	(81,805)	(25,901)		(107,706)
Furniture and fixtures	(20,720)	(1,263)		(21,983)
Total accumulated depreciation	<u>(4,910,568)</u>	<u>(182,525)</u>	<u>-</u>	<u>(5,093,093)</u>
Total capital assets, net of accumulated depreciation	<u>\$1,289,515</u>	<u>\$70,658</u>	<u>-</u>	<u>\$1,360,173</u>

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

	<u>Depreciation</u>
Governmental activities:	
Elected officials	\$ 390,026
Executive	419,891
Administration	2,463,508
Human services	13,682
General services	3,673,228
Nursing homes	1,506,935
Corrections	1,768,104
Department of law	114
Courts	504,315
Development	<u>275,522</u>
Total depreciation expense-governmental activities	<u>\$11,015,325</u>
Total depreciation expense - business-type activities - enterprise funds	<u>\$ 182,525</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 Wachovia 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 PFM Advisors, the Plan's consultant: Artio Global Investors, C. S. McKee & Co. Inc., Delaware International Advisers LTD, GW Capital, Inc., Emerald Advisers Inc., ING Clarion, Mellon Equity Associates LLP, Morgan Stanley, Northern Trust, and Philadelphia Trust, 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, 2009. Significant actuarial assumptions used include:

Actuarial Cost Method	Aggregate **
Asset Valuation Method	5-Year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return*	7½%
Projected Salary Increases*	3.5% - 4.5%; .25% increments over 2 years
* Includes Inflation at	3%

** Plans that use the aggregate actuarial cost method are now required to present a schedule of funding progress based on the entry age cost method. The County has presented only two years of data in the following schedule as permitted by the adoption of GASB Statement No. 50 in 2008.

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%

The annual pension costs were \$8,046,712, \$3,475,185, and \$4,979,055 for each of the fiscal years ended December 31, 2009, 2008, and 2007, 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, 2009, 2008, and 2007.

Economic Conditions – The negative events in the credit market as well as the general economic conditions in the United States and worldwide have caused a significant decrease in investment values either directly invested in or tied to the equity markets. Those declines, at present, are expected to be temporary and not permanent declines, however equity market recovery, if it occurs, may take some time. The major resulting impact of the equity market's decline on the County will be in the form of increased annual required contributions and increased pension expense with respect to its pension plan.

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, 2009, there were 696 retired participants in the plan and 211 potential participants who are currently active, for a total of 907 plan participants.

Funding Policy: The County currently funds the plan on a pay-as-you-go basis. The eligible retirees currently contribute nothing 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 2009 was \$9,722,391 for the health and life insurance plan (\$9,583,719 for the health insurance and \$138,672 for the life insurance).

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2006	\$0	\$161,201,061	\$161,201,061	0%	\$88,721,917	181.7%
1/1/2007	\$0	\$164,506,389	\$164,506,189	0%	\$93,591,263	175.8%
1/1/2008	\$0	\$150,876,102	\$150,876,102	0%	\$98,169,076	153.7%
1/1/2009	\$0	\$141,698,640	\$141,698,640	0%	\$104,774,896	135.2%

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)
2006	\$11,365,253	\$0	\$0	16.29	\$11,365,253	\$5,418,266	\$5,946,987	\$ 5,946,787
2007	\$11,365,253	\$267,605	\$0	16.29	\$11,632,858	\$4,889,093	\$6,743,765	\$12,690,552
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

* 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 (5% when applicable).

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

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/06	\$ 11,365,253	47.68%	\$ 5,946,787
12/31/07	\$ 11,632,858	42.03%	\$ 12,690,552
12/31/08	\$ 9,514,427	52.50%	\$ 17,209,689
12/31/09	\$ 9,440,370	53.22%	\$ 21,625,566

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.

Actuarial Methods and Assumptions: 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 10% initially, reduced by decrements to an ultimate rate of 5% 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 \$250,000 applicable to each occurrence.

Healthcare

The County provides one fixed-rate premium based 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 Capital Blue Cross Senior Plan 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 \$500,000 maximum retention per accident or employee.

Reserve balances are based on the requirements of Government Accounting Standards Board Statement Number 10. 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>January 1</u>	<u>Change In Incurred Claims</u>		<u>Payments</u>		<u>December 31</u>
		<u>Current</u>	<u>Prior</u>	<u>Current</u>	<u>Prior</u>	
2008	\$ 4,681,889	\$ 1,034,630	\$ (669,975)	\$ (207,322)	\$ (1,256,778)	\$ 3,582,444
2009	\$ 3,582,444	\$ 1,199,871	\$ 888,381	\$ (400,434)	\$ (1,626,245)	\$ 3,644,017

During 2009, there has not been a significant reduction in any insurance coverage and the amount of settlements has not exceeded insurance coverage for each of the past three fiscal years.

NOTE 9 RESTRICTED ASSETS

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

General Fund

Cash restricted for temporarily held balances that are due other parties.	\$869,760
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Health Choices Fund

Cash restricted for claims payable.	\$4,600,000
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Other Governmental Funds

Cash restricted for temporarily held balances that are due to other parties.	\$163,785
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Total Restricted Assets	<u>\$5,633,545</u>
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NOTE 10 RESERVED FUND BALANCES

The reservations of fund balances included in the financial statements represent portions of fund balances that are restricted for various purposes and are not available for the payment of other subsequent expenditures. The following are included in the financial statements:

Special Revenue Funds

Program expenditures

This reserve represents amounts reserved for the payment of specific program expenditures.

\$ 53,243,031

Other Governmental Funds

Reserved for bond financed improvements

This reserve represents the restriction of funds set aside for capital projects.

\$ 29,764,744

Reserved for debt service

This reserve represents the restriction of funds set aside for future debt service payments.

\$ 568,569

Fiduciary Fund

Held in trust for pension benefits

This reserve represents funds restricted to Employee Retirement Plan use for future payment of member benefits.

\$ 326,171,040

NOTE 11 AGREEMENT WITH LEHIGH COUNTY AUTHORITY

Effective May 15, 2006, the County transferred full and complete operational and maintenance responsibilities of the wastewater pretreatment plant owned by the County to the Lehigh County Authority ("Authority") in accordance with a lease / purchase agreement signed June 23, 2005. The County leased to the Authority the plant, plant site, and the County's allocation in the City of Allentown Kline Island Treatment Plant for one dollar per year. At any time during the initial seven years of the lease, the Authority had the option to take full ownership of the plant site and / or residual property free and clear of all liens, for one dollar. The Authority exercised this option effective October 16, 2009, resulting in a net capital asset reduction of \$26.7 million (\$60.5 million cost less \$33.8 million accumulated depreciation).

NOTE 12 CONSTRUCTION COMMITMENTS

The County has entered into a variety of construction contracts for the expansion of the courthouse and the renovation of the Linden Street Bridge. These commitments totaled \$5,674,583 for the courthouse expansion and \$919,367 for the renovation of the Linden Street Bridge at December 31, 2009.

NOTE 13 OPERATING LEASE

The County has entered into a lease agreement with the Allentown Parking Authority to lease up to 326 parking spaces in a newly constructed 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 new 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 a prepaid asset that will be amortized over the length of the lease. The unamortized balance at December 31, 2009 was \$3,600,000.

NOTE 14 LITIGATION

The County is defending a number of lawsuits, the outcomes of which, in the opinion of counsel, will not materially affect the financial position of the County.

NOTE 15 SUBSEQUENT EVENT

On February 25, 2010, the County issued \$17,085,000 General Obligation Bonds, Series of 2010. The proceeds of this bond will finance the advance refunding of a portion of the County's General Obligation Bonds, Series of 2001, including the costs of issuance of the Bonds.

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, 2009

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 92,695,786	\$ 92,795,786	\$ 92,695,025	\$ (100,761)
Grants and reimbursements	60,085,121	65,134,060	66,408,921	1,274,861
Departmental earnings	17,639,352	17,486,952	18,277,909	790,957
Costs and fines	3,859,251	3,859,252	3,605,131	(254,121)
Investment income	2,671,653	2,546,653	1,847,906	(698,747)
Rents	440,064	442,314	469,616	27,302
Payments in lieu of taxes	188,040	188,040	189,062	1,022
Other revenues	315,569	315,573	275,833	(39,740)
Total revenues	<u>177,894,836</u>	<u>182,768,630</u>	<u>183,769,403</u>	<u>1,000,773</u>
EXPENDITURES				
Elected officials	16,632,953	16,964,064	16,558,245	405,819
County executive	3,156,351	3,273,351	3,179,852	93,499
Administration	18,488,906	18,785,861	18,428,664	357,197
Human services	556,367	693,946	669,469	24,477
General services	8,408,299	8,880,013	8,553,998	326,015
Nursing homes	55,071,023	56,119,633	55,309,725	809,908
Corrections	31,941,555	31,864,009	31,381,833	482,176
Department of law	1,368,047	1,367,294	1,343,499	23,795
Courts	26,094,902	27,260,510	25,326,366	1,934,144
Development	1,102,228	4,906,654	4,042,871	863,783
Total expenditures	<u>162,820,631</u>	<u>170,115,335</u>	<u>164,794,522</u>	<u>5,320,813</u>
Excess of revenues over (under) expenditures	<u>15,074,205</u>	<u>12,653,295</u>	<u>18,974,881</u>	<u>6,321,586</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	8,523,170	9,392,892	2,473,695	(6,919,197)
Indirect cost allocation in	9,973,778	9,973,778	9,889,751	(84,027)
Operating transfers out	(42,289,585)	(48,960,228)	(34,937,841)	14,022,387
Indirect cost allocation out	(6,861,316)	(6,861,316)	(6,861,316)	0
Total other financing sources (uses)	<u>(30,653,953)</u>	<u>(36,454,874)</u>	<u>(29,435,711)</u>	<u>7,019,163</u>
Net change in fund balances	<u>(15,579,748)</u>	<u>(23,801,579)</u>	<u>(10,460,830)</u>	<u>13,340,749</u>
Fund balance, January 1	53,300,000	60,849,844	60,668,717	(181,127)
Fund balance, December 31	<u>\$ 37,720,252</u>	<u>\$ 37,048,265</u>	<u>\$ 50,207,887</u>	<u>\$ 13,159,622</u>

COUNTY OF LEHIGH, PENNSYLVANIA
General Fund
Adjustments to Reconcile GAAP Basis to Budgetary Basis
For the Year Ended December 31, 2009

	Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	Fund Balance at End of Year
GAAP Basis	\$ (16,159,826)	\$ 51,342,317
Increase (Decrease):		
Due to revenues:		
Received in cash during the year but accrued as receivables (net of deferred revenues) at December 31, 2008	13,110,583	
Accrued as receivables (net of deferred revenues) at December 31, 2009 but not recognized in budget	(8,125,092)	(8,125,092)
Change in appreciation of investments	351,346	(779,906)
Due to expenditures:		
Paid in cash during the year but accrued as liabilities at December 31, 2008	(7,408,409)	
Accrued as liabilities at December 31, 2009 but not recognized in budget	7,770,568	7,770,568
Budgetary Basis	\$ (10,460,830)	\$ 50,207,887

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, 2009

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes				
Grants and reimbursements	\$ 62,388,703	\$ 62,388,703	\$ 64,467,971	\$ 2,079,268
Departmental earnings				
Costs and fines				
Investment income	1,125,000	1,125,000	640,804	(484,196)
Rents				
Payments in lieu of taxes				
Other revenues				
Total revenues	<u>63,513,703</u>	<u>63,513,703</u>	<u>65,108,775</u>	<u>1,595,072</u>
EXPENDITURES				
Elected officials				
County executive				
Administration				
Planning				
Human services	71,825,165	78,098,068	64,042,674	14,055,394
General services				
Nursing homes				
Corrections				
Department of law				
Courts				
Development				
Human resources				
Total expenditures	<u>71,825,165</u>	<u>78,098,068</u>	<u>64,042,674</u>	<u>14,055,394</u>
Excess of revenues over (under) expenditures	<u>(8,311,462)</u>	<u>(14,584,365)</u>	<u>1,066,101</u>	<u>15,650,466</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in				
Indirect cost allocation in				
Operating transfers out	(489,547)	(8,895,621)	(8,802,412)	93,209
Indirect cost allocation out	(194,290)	(194,290)	(194,290)	0
Total other financing sources (uses)	<u>(683,837)</u>	<u>(9,089,911)</u>	<u>(8,996,702)</u>	<u>93,209</u>
Net change in fund balances	(8,995,299)	(23,674,276)	(7,930,601)	15,743,675
Fund balance, January 1	39,900,000	41,627,259	41,627,711	452
Fund balance, December 31	<u>\$ 30,904,701</u>	<u>\$ 17,952,983</u>	<u>\$ 33,697,110</u>	<u>\$ 15,744,127</u>

COUNTY OF LEHIGH, PENNSYLVANIA
Health Choices Fund
Adjustments to Reconcile GAAP Basis to Budgetary Basis
For the Year Ended December 31, 2009

	Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	Fund Balance at End of Year
GAAP Basis	\$ (8,749,059)	\$ 32,499,043
Increase (Decrease):		
Due to revenues:		
Received in cash during the year but accrued as receivables (net of deferred revenues) at December 31, 2008	964,230	
Accrued as receivables (net of deferred revenues) at December 31, 2009 but not recognized in budget	(1,008,316)	(1,008,316)
Due to expenditures:		
Paid in cash during the year but accrued as liabilities at December 31, 2008	(1,343,839)	
Accrued as liabilities at December 31, 2009 but not recognized in budget	2,206,383	2,206,383
Budgetary Basis	<u>\$ (7,930,601)</u>	<u>\$ 33,697,110</u>

COUNTY OF LEHIGH, PENNSYLVANIA
Area Agency on Aging Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (Cash Basis) and Actual
For the Year Ended December 31, 2009

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes				
Grants and reimbursements	\$ 44,748,344	\$ 44,780,627	\$ 43,428,258	\$ (1,352,369)
Departmental earnings	184,001	184,001	171,184	(12,817)
Costs and fines				
Investment income	40,001	40,001	15,076	(24,925)
Rents				
Payments in lieu of taxes				
Other revenues	501	501	3,110	2,609
Total revenues	<u>44,972,847</u>	<u>45,005,130</u>	<u>43,617,628</u>	<u>(1,387,502)</u>
EXPENDITURES				
Elected officials				
County executive				
Administration				
Planning				
Human services	44,492,664	45,336,267	42,527,458	2,808,809
General services				
Nursing homes				
Corrections				
Department of law				
Courts				
Development				
Human resources				
Total expenditures	<u>44,492,664</u>	<u>45,336,267</u>	<u>42,527,458</u>	<u>2,808,809</u>
Excess of revenues over (under) expenditures	<u>480,183</u>	<u>(331,137)</u>	<u>1,090,170</u>	<u>1,421,307</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	670,465	670,465	482,202	(188,263)
Indirect cost allocation in				
Operating transfers out	(555,346)	(1,009,347)	(997,322)	12,025
Indirect cost allocation out	(595,302)	(595,302)	(595,302)	0
Total other financing sources (uses)	<u>(480,183)</u>	<u>(934,184)</u>	<u>(1,110,422)</u>	<u>(176,238)</u>
Net change in fund balances	0	(1,265,321)	(20,252)	1,245,069
Fund balance, January 1	0	1,735,503	1,735,568	65
Fund balance, December 31	<u>\$ 0</u>	<u>\$ 470,182</u>	<u>\$ 1,715,316</u>	<u>\$ 1,245,134</u>

COUNTY OF LEHIGH, PENNSYLVANIA
Area Agency on Aging Fund
Adjustments to Reconcile GAAP Basis to Budgetary Basis
For the Year Ended December 31, 2009

	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, 2008	3,910,888	
Accrued as receivables (net of deferred revenues) at December 31, 2009 but not recognized in budget	(6,772,754)	(6,772,754)
Due to expenditures:		
Paid in cash during the year but accrued as liabilities at December 31, 2008	(5,646,456)	
Accrued as liabilities at December 31, 2009 but not recognized in budget	8,488,070	8,488,070
Budgetary Basis	\$ (20,252)	\$ 1,715,316

COUNTY OF LEHIGH, PENNSYLVANIA
Mental Retardation Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (Cash Basis) and Actual
For the Year Ended December 31, 2009

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes				
Grants and reimbursements	\$ 26,005,491	\$ 26,452,580	\$ 26,147,935	\$ (304,645)
Departmental earnings	1	1	7,794	7,793
Costs and fines				
Investment income	100,001	100,000	182,158	82,158
Rents				
Payments in lieu of taxes				
Other revenues				
Total revenues	<u>26,105,493</u>	<u>26,552,581</u>	<u>26,337,887</u>	<u>(214,694)</u>
EXPENDITURES				
Elected officials				
County executive				
Administration				
Planning				
Human services	26,310,572	33,834,549	32,121,335	1,713,214
General services				
Nursing homes				
Corrections				
Department of law				
Courts				
Development				
Human resources				
Total expenditures	<u>26,310,572</u>	<u>33,834,549</u>	<u>32,121,335</u>	<u>1,713,214</u>
Excess of revenues over (under) expenditures	<u>(205,079)</u>	<u>(7,281,968)</u>	<u>(5,783,448)</u>	<u>1,498,520</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	728,445	728,445	728,444	(1)
Indirect cost allocation in				
Operating transfers out	(165,454)	(176,541)	(174,139)	2,402
Indirect cost allocation out	(357,912)	(357,912)	(357,912)	0
Total other financing sources (uses)	<u>205,079</u>	<u>193,992</u>	<u>196,393</u>	<u>2,401</u>
Net change in fund balances	0	(7,087,976)	(5,587,055)	1,500,921
Fund balance, January 1	6,500,000	10,469,976	10,470,080	104
Fund balance, December 31	<u>\$ 6,500,000</u>	<u>\$ 3,382,000</u>	<u>\$ 4,883,025</u>	<u>\$ 1,501,025</u>

COUNTY OF LEHIGH, PENNSYLVANIA
Mental Retardation Fund
Adjustments to Reconcile GAAP Basis to Budgetary Basis
For the Year Ended December 31, 2009

	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 at December 31, 2008	(4,634,514)	
Accrued as receivables at December 31, 2009 but not recognized in budget	4,046,664	4,046,664
Due to expenditures:		
Paid in cash during the year but accrued as liabilities at December 31, 2008	(6,013,441)	
Accrued as deferred expenditures at December 31, 2008 but not recognized in budget	177,875	
Accrued as liabilities at December 31, 2009 but not recognized in budget	836,361	836,361
Budgetary Basis	\$ (5,587,055)	\$ 4,883,025