

**COUNTY OF WARREN,
PENNSYLVANIA**

*Basic Financial Statements, Required Supplementary
Information, Supplemental Information and Federal
Financial Awards Information for the Year Ended
December 31, 2013 and Independent Auditors' Reports*

COUNTY OF WARREN, PENNSYLVANIA
Table of Contents
Year Ended December 31, 2013

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	11
Statement of Activities.....	12
Fund Financial Statements:	
Balance Sheet—Governmental Funds	13
Reconciliation of the Balance Sheet—Governmental Funds to the Government-wide Statement of Net Position.....	14
Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds to the Government-wide Statement of Activities	16
Statement of Net Position—Fiduciary Funds	17
Statement of Changes in Net Position—Fiduciary Funds.....	18
Notes to the Financial Statements	19
Required Supplementary Information:	
Schedule of Revenues, Expenditures, and Changes in Fund Balances—Budget and Actual—General Fund.....	43
Schedule of Funding Progress—Other Post-Employment Benefits Plan.....	44

(continued)

COUNTY OF WARREN, PENNSYLVANIA
Table of Contents
Year Ended December 31, 2013

(concluded)

	<u>Page</u>
Supplementary Information:	
Combining Balance Sheet—Nonmajor Governmental Funds.....	45
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances—Nonmajor Governmental Funds	46
Combining Balance Sheet—Special Revenue (Other Governmental) Funds.....	47
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances—Special Revenue (Other Governmental) Funds	48
Combining Balance Sheet—Special Revenue (Special Purpose) Funds.....	49
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances—Special Revenue (Special Purpose) Funds.....	50
Federal Awards Information:	
Schedule of Expenditures of Federal Awards	51
Notes to the Schedule of Expenditures of Federal Awards	53
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	54
Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance with OMB Circular A-133	56
Schedule of Findings and Questioned Costs	58
Summary Schedule of Prior Audit Findings	61

FINANCIAL SECTION

Certified Public Accountants
INDEPENDENT AUDITORS' REPORT

Honorable County Commissioners
County of Warren, Pennsylvania:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Rouse Estate or the Warren Library Association, which are the County's discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Rouse Estate and the Warren Library Association, is based solely on the reports of the other auditors. 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Rouse Estate and the Warren Library Association were not audited in accordance with *Governmental Auditing Standards*.

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

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

Opinions

In our opinion, based on our audit and the reports of the other auditors, except for the effects of such adjustments, if any, as might have been determined necessary had the financial statements of the County's component unit, the Warren Library Association, been prepared on a basis of accounting consistent with accounting principles generally accepted in the United States of America, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of December 31, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the County's component unit, the Warren Library Association, have been prepared on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

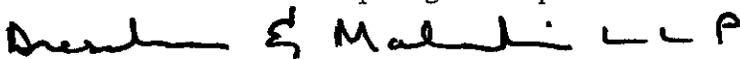
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The Supplementary Information, as listed in the table of contents, and the Schedule of Expenditures of Federal Awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplementary Information, as listed in the table of contents, and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 21, 2014 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.



August 21, 2014

(June 7, 2014 as to the Rouse Estate, August 1, 2014 as to the Warren Library Association)

COUNTY OF WARREN, PENNSYLVANIA
Management's Discussion and Analysis
Year Ended December 31, 2013

As management of the County of Warren, Pennsylvania (the "County"), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2013. This document should be read in conjunction with additional information that we have furnished in the County's financial statements which follow this narrative.

Financial Highlights

- ◆ The assets and deferred outflows of resources of the County exceeded its liabilities at the close of the most recent fiscal year by \$6,853,176 (net position). This consists of \$2,550,866 net investment in capital assets, \$2,085,311 restricted for specific purposes, and unrestricted net position of \$2,216,999.
- ◆ The County's governmental activities net position increased \$390,861 during the year ended December 31, 2013.
- ◆ At the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$6,047,494, an increase of \$535,907 in comparison with the prior year. The County had unrestricted fund balances of \$3,841,136; the remainder is subject to external restrictions (restricted) or is not available for spending (nonspendable).
- ◆ The General Fund reported a net increase in fund balance this year of \$695,465. At December 31, 2013, unassigned fund balance for the General Fund was \$2,441,224, or 19.6 percent of total General Fund expenditures.
- ◆ During the year ended December 31, 2013, the County paid \$470,000 of its bond indebtedness.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide the reader with a broad overview of the County's finances, in a manner similar in format to a financial statement of a private-sector business.

The *statement of net position* presents information on all of the County's assets, liabilities, and deferred outflows/inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and

expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public safety, public works, human services, culture and recreation, conservation and development, miscellaneous, and interest and other fiscal charges. The County does not engage in any business-type activities.

The government-wide financial statements include not only the County itself (known as the *primary government*), but also the Rouse Estate and Warren Library Association for which the County is financially accountable. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 11-12 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains fourteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Debt Service Fund, which are considered to be major funds. Data from the other twelve funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the Supplementary Information section of this report.

The fund financial statements for governmental funds can be found on pages 13-16 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the County's own programs. The County maintains three fiduciary funds, the Pension Trust Fund, Private Purpose Fund, and Agency Fund.

The fiduciary fund financial statements can be found on pages 17-18 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided on the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-42 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the County's budgetary comparison schedule for the General Fund and the County's progress in funding its obligation to provide other post-employment benefits to its employees. Required supplementary information can be found on pages 43-44 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pages 45-50 of this report.

The Federal Awards Information section presents the County's Schedule of Expenditures of Federal Awards. This section can be found on pages 51-61 of this report.

Government-wide Overall Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the County, assets and deferred outflows of resources of the primary government exceeded liabilities by \$6,853,176 at the close of the most recent fiscal year, as compared to \$6,462,315 at the close of the 2012 fiscal year.

Table 1—Condensed Statements of Net Position—Primary Government

	Governmental Activities December 31,	
	2013	2012
Current assets	\$ 6,365,191	\$ 5,714,794
Capital assets	6,649,110	6,873,956
Total assets	<u>13,014,301</u>	<u>12,588,750</u>
Deferred outflows of resources	<u>131,756</u>	<u>155,354</u>
Current liabilities	357,716	245,693
Noncurrent liabilities	5,935,165	6,036,096
Total liabilities	<u>6,292,881</u>	<u>6,281,789</u>
Net position:		
Net investment in capital assets	2,550,866	2,329,310
Restricted	2,085,311	2,130,151
Unrestricted	<u>2,216,999</u>	<u>2,002,854</u>
Total net position	<u>\$ 6,853,176</u>	<u>\$ 6,462,315</u>

The largest portion of the County's net position reflects its investment in capital assets (such as land, buildings, machinery, equipment, and infrastructure), less any related outstanding debt that was used to acquire those assets. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County's net position, \$2,085,311, represents resources that are subject to external restrictions on how they may be used. The final portion of net position, \$2,216,999, is considered unrestricted and available to meet the County's ongoing obligations to citizens and creditors.

Total net position increased \$390,861 as a result of current year activities. While both revenues and expenses decreased from prior year, revenues decreased a lesser amount which resulted in an overall increase to net position.

Table 2, presented below, shows the changes in net position for the years ended December 31, 2013 and December 31, 2012.

Table 2—Condensed Statements of Changes in Net Position—Primary Government

	<u>Year Ended December 31,</u>	
	<u>2013</u>	<u>2012</u>
Program revenues:		
Charges for services	\$ 2,834,474	\$ 2,611,408
Operating grants and contributions	850,329	755,227
General revenues	<u>11,843,649</u>	<u>12,318,795</u>
Total revenues	<u>15,528,452</u>	<u>15,685,430</u>
Program expenses	<u>15,137,591</u>	<u>15,683,404</u>
Change in net position	390,861	2,026
Net position—beginning	<u>6,462,315</u>	<u>6,460,289</u>
Net position—ending	<u>\$ 6,853,176</u>	<u>\$ 6,462,315</u>

Overall revenues for the primary government decreased slightly by 1.0 percent from 2012, due primarily to decreased intergovernmental revenues for local aid and funding, offset by increased charges for services revenues from user fees. Total program expenses decreased 3.5 percent from the year ended December 31, 2012, due primarily to decreased human services costs related to daycare programs which received less funding in comparison to prior year. This decrease was partially offset by increased costs throughout the County for employee benefits, particularly within public safety expenses.

A summary of sources of revenues of the primary government for the years ended December 31, 2013 and December 31, 2012 is presented below in Table 3:

Table 3—Summary of Sources of Revenues—Primary Government

	<u>Year Ended December 31,</u>		<u>Increase/(Decrease)</u>	
	<u>2013</u>	<u>2012</u>	<u>Dollars</u>	<u>Percent (%)</u>
Charges for services	\$ 2,834,474	\$ 2,611,408	\$ 223,066	8.5
Operating grants and contributions	850,329	755,227	95,102	12.6
Taxes	9,262,801	9,295,312	(32,511)	(0.3)
Intergovernmental	2,346,156	2,707,328	(361,172)	(13.3)
Interest/investment income	12,540	27,781	(15,241)	(54.9)
Miscellaneous	<u>222,152</u>	<u>288,374</u>	<u>(66,222)</u>	<u>(23.0)</u>
Total revenues	<u>\$ 15,528,452</u>	<u>\$ 15,685,430</u>	<u>\$ (156,978)</u>	<u>(1.0)</u>

The most significant source of revenue for the primary government is taxes, which accounts for \$9,262,801, or 59.7 percent of total revenues, for the year ended December 31, 2013, and \$9,295,312, or 59.3 percent of total revenues, for the year ended December 31, 2012. The next largest source of revenue for the year ended December 31, 2013 was charges for services of \$2,834,474, or 18.3 percent of total revenues, comparable to \$2,611,408, or 16.6 percent of total revenues for the year ended December 31, 2012.

A summary of program expenses of the primary government for the years ended December 31, 2013 and December 31, 2012 is presented below in Table 4:

Table 4—Summary of Program Expenses—Primary Government

	Year Ended December 31,		Increase/(Decrease)	
	2013	2012	Dollars	Percent (%)
General government	\$ 5,989,589	\$ 5,860,707	\$ 128,882	2.2
Public safety	5,943,546	5,583,553	359,993	6.4
Public works	291,109	425,192	(134,083)	(31.5)
Human services	1,774,931	2,583,303	(808,372)	(31.3)
Culture and recreation	397,761	392,465	5,296	1.3
Conservation and development	181,160	250,462	(69,302)	(27.7)
Miscellaneous	427,265	435,710	(8,445)	(1.9)
Interest and other fiscal charges	132,230	152,012	(19,782)	(13.0)
Total program expenses	<u>\$ 15,137,591</u>	<u>\$ 15,683,404</u>	<u>\$ (545,813)</u>	(3.5)

The County's significant expense items for the primary government for the year ended December 31, 2013 were general government of \$5,989,589 or 39.6 percent of total expenses, and public safety (primarily police services) of \$5,943,546 or 39.3 percent of total expenses. Similarly, for the year ended December 31, 2012 significant expenses were general government of \$5,860,707 or 37.4 percent of total expenses, and public safety of \$5,583,553 or 35.6 percent of total expenses.

During the year ended December 31, 2013 human service expenses decreased \$808,372. The decrease in human services expenses is primarily due to a significant decrease in costs related to administering the Warren County Economic Opportunity Council daycare program, which experienced reduced local aid and funding. The County experienced an increase in public safety expenses due to rising costs related to grant administration and operations in the Small Communities and Warren E-911 areas.

Financial Analysis of the Governmental Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance and fund balance assigned to specific use in special revenue funds may serve as a useful measure of a government's net resources available for spending for discretionary use, as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the County itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the County Commissioners.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$6,047,494, an increase of \$535,907 in comparison with the prior year. The County had fund

balances of \$3,841,136 which were considered unrestricted; however, amounts within unrestricted fund balance have been set aside (assigned) for various purposes, including health insurance and the specific purpose of individual funds. The remainder of fund balance is *restricted* or *nonspendable* to indicate that it is not available for new spending because it has already been committed for E-911 operations, to pay debt service, for the specific purpose of individual funds and for prepaid items.

A summary of the County's major funds' fund balance is provided in Table 5 below:

Table 5—Major Funds' Fund Balance

	<u>General</u>	<u>Debt Service</u>
Net change in fund balances	\$ 695,465	\$ (34,768)
Unassigned or assigned to the fund's specific use	2,441,224	-
Total fund balance (deficit)	3,258,712	1,638,918
Percentage unassigned or assigned to specific use	74.9%	0.0%

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$2,441,224, while total fund balance was \$3,258,712. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total expenditures. Unassigned fund balance represents 19.6 percent of General Fund expenditures, while total fund balance represents 26.2 percent of that same amount.

The County's General Fund has a net increase in fund balance of \$695,465 in the current fiscal year. The net increase was due to the County's ability to control spending and reduced program administration during the year ended December 31, 2013.

The Debt Service Fund has a total fund balance of \$1,638,918, of which \$40,019 represents prepaid debt service interest payments and \$1,598,899 restricted to be used for the future payment of debt service.

General Fund Budgetary Highlights

The County adopts an annual appropriated budget for the General Fund. A budgetary comparison schedule within the required supplementary information of this report has been provided to demonstrate compliance with their budget.

A summary of the General Fund results of operations for the year ended December 31, 2013 is presented in Table 6 below:

Table 6—Summary of General Fund Results of Operations

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Adopted</u>	<u>Final</u>		<u>Final Budget</u>
Revenues	\$ 13,500,318	\$ 13,500,318	\$ 13,316,895	\$ (183,423)
Expenditures and other financing uses	<u>13,396,736</u>	<u>13,396,736</u>	<u>12,621,430</u>	<u>775,306</u>
Excess (deficiency) of revenues over expenditures and other financing uses	<u>\$ 103,582</u>	<u>\$ 103,582</u>	<u>\$ 695,465</u>	<u>\$ 591,883</u>

Original budget compared to final budget. During the fiscal year there were no changes made in General Fund appropriations between the original and final amended budget.

Final budget compared to actual results. A review of actual revenues and expenditures compared to the estimated revenues and appropriations in the final budget yields a significant favorable variance in expenditures and transfers out of \$775,306. The County spent less than anticipated for daycare program administration and also experienced reduced costs surrounding their transportation services.

Capital Assets and Debt Administration

Capital assets. The County’s investment in capital assets for its governmental activities as of December 31, 2013, amounted to \$6,649,110 (net of accumulated depreciation). This investment in capital assets includes land and land improvements, buildings and improvements, E-911 communication system, and machinery and equipment.

All depreciable capital assets were depreciated from acquisition date to the end of the current year as outlined in the County’s capital asset policy.

Capital assets net of depreciation for the governmental activities at the years ended December 31, 2013 and 2012 are presented below in Table 7:

Table 7—Summary of Capital Assets (Net of Depreciation)

	Governmental Activities	
	December 31,	
	2013	2012
Land	\$ 272,234	\$ 272,234
Land improvements	42,314	30,923
Buildings and improvements	4,687,558	4,903,894
E-911 communication system	1,399,082	1,441,351
Machinery and equipment	247,922	225,554
Total governmental activities	<u>\$ 6,649,110</u>	<u>\$ 6,873,956</u>

The County’s infrastructure assets are recorded at historical cost or estimated historical cost in the government-wide financial statements. The County has elected to depreciate their infrastructure assets. Additional information on the County’s capital assets can be found in Note 5 of this report.

Long-term debt. At December 31, 2013, the County had total bonded debt outstanding of \$4,230,000, as compared to \$4,700,000 in the prior year. During the year ended December 31, 2013, the County made scheduled debt payments of \$470,000.

A summary of the County's long-term liabilities at December 31, 2013 and 2012 is presented below in Table 8:

Table 8—Summary of Long-Term Liabilities

	<u>Governmental Activities</u>		<u>Increase/(Decrease)</u>	
	<u>December 31,</u>		<u>Dollar</u>	<u>Percent (%)</u>
	<u>2013</u>	<u>2012</u>		
General obligation bonds	\$ 4,230,000	\$ 4,700,000	\$ (470,000)	(22.4)
OPEB obligation	1,563,730	1,171,899	391,831	(11.3)
Judgments and claims	141,435	164,197	(22,762)	16.0
Total long-term liabilities	<u>\$ 5,935,165</u>	<u>\$ 6,036,096</u>	<u>\$ (100,931)</u>	7.1

Additional information on the County's long-term debt can be found in Note 11 of this report.

Economic Factors

The unemployment rate for the County at December 31, 2013 was 5.2 percent, which is decreased from the prior year and is favorable when compared with the national average rate of 6.7.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, creditors and investors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Commissioners of Warren County, 204 Fourth Avenue, Warren, Pennsylvania 16365.

BASIC FINANCIAL STATEMENTS

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COUNTY OF WARREN, PENNSYLVANIA
Statement of Net Position
December 31, 2013

	<u>Primary</u>	<u>Component Units</u>	
	<u>Government</u>		
	<u>Governmental</u>	<u>Rouse</u>	<u>Warren</u>
	<u>Activities</u>	<u>Estate</u>	<u>Library</u>
			<u>Association</u>
ASSETS			
Cash and cash equivalents	\$ 3,488,188	\$ 2,161,113	\$ 309,746
Restricted cash and cash equivalents	1,894,242	243,638	-
Investments	-	1,966,988	3,863,455
Receivables	861,714	1,737,983	-
Estimated third party payor settlements	-	241,136	-
Prepaid items	121,047	155,359	-
Other assets	-	94,739	-
Capital assets not being depreciated	272,234	309,350	-
Capital assets, net			
of accumulated depreciation	<u>6,376,876</u>	<u>7,666,020</u>	<u>-</u>
Total assets	<u>13,014,301</u>	<u>14,576,326</u>	<u>4,173,201</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	<u>131,756</u>	<u>-</u>	<u>-</u>
Total deferred outflows of resources	<u>131,756</u>	<u>-</u>	<u>-</u>
LIABILITIES			
Accounts payable	271,435	440,031	-
Accrued liabilities	46,262	6,122,438	-
Interest payable	40,019	-	-
Unearned revenue	-	30,239	-
Noncurrent liabilities:			
Due within one year	626,435	705,571	-
Due in more than one year	<u>5,308,730</u>	<u>5,316,345</u>	<u>-</u>
Total liabilities	<u>6,292,881</u>	<u>12,614,624</u>	<u>-</u>
NET POSITION			
Net investment in capital assets	2,550,866	-	-
Restricted	2,085,311	1,336,723	2,582,574
Unrestricted	<u>2,216,999</u>	<u>624,979</u>	<u>1,590,627</u>
Total net position	<u>\$ 6,853,176</u>	<u>\$ 1,961,702</u>	<u>\$ 4,173,201</u>

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

COUNTY OF WARREN, PENNSYLVANIA
Statement of Activities
Year Ended December 31, 2013

<u>Function/Program</u>	<u>Expenses</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>				
		<u>Program Revenues</u>		<u>Primary Government</u>	<u>Component Units</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Rouse Estate</u>	<u>Warren Library Association</u>
Primary government:						
Governmental activities:						
General government	\$ 5,989,589	\$ 1,826,729	\$ -	\$ (4,162,860)	\$ -	\$ -
Public safety	5,943,546	865,279	524,068	(4,554,199)	-	-
Public works	291,109	-	46,316	(244,793)	-	-
Human services	1,774,931	-	-	(1,774,931)	-	-
Culture and recreation	397,761	142,466	-	(255,295)	-	-
Conservation and development	181,160	-	270,762	89,602	-	-
Miscellaneous	427,265	-	-	(427,265)	-	-
Interest and other fiscal charges	132,230	-	9,183	(123,047)	-	-
Total primary government	<u>\$ 15,137,591</u>	<u>\$ 2,834,474</u>	<u>\$ 850,329</u>	(11,452,788)	-	-
Component units:						
Rouse Estate	\$ 15,832,731	\$ 15,148,016	\$ 94,124		(590,591)	-
Warren Library Association	<u>1,655,959</u>	<u>51,684</u>	<u>1,224,748</u>		<u>-</u>	<u>(379,527)</u>
Total component units	<u>\$ 17,488,690</u>	<u>\$ 15,199,700</u>	<u>\$ 1,318,872</u>		<u>(590,591)</u>	<u>(379,527)</u>
General revenues:						
Taxes				9,262,801	-	-
Intergovernmental				2,346,156	-	-
Interest/investment income				12,540	262,079	67,677
Miscellaneous				<u>222,152</u>	<u>854,336</u>	<u>-</u>
Total general revenues				<u>11,843,649</u>	<u>1,116,415</u>	<u>67,677</u>
Nonoperating gains on investments				<u>-</u>	<u>-</u>	<u>451,784</u>
Change in net position				390,861	525,824	139,934
Net position—beginning				<u>6,462,315</u>	<u>1,435,878</u>	<u>4,033,267</u>
Net position—ending				<u>\$ 6,853,176</u>	<u>\$ 1,961,702</u>	<u>\$ 4,173,201</u>

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

COUNTY OF WARREN, PENNSYLVANIA
Balance Sheet—Governmental Funds
December 31, 2013

	<u>General</u>	<u>Debt Service</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 2,800,926	\$ -	\$ 687,262	\$ 3,488,188
Restricted cash and cash equivalents	-	1,601,205	293,037	1,894,242
Receivables	727,493	-	134,221	861,714
Due from other funds	-	-	64,993	64,993
Prepaid items	81,028	40,019	-	121,047
Total assets	<u>\$ 3,609,447</u>	<u>\$ 1,641,224</u>	<u>\$ 1,179,513</u>	<u>\$ 6,430,184</u>
LIABILITIES				
Accounts payable	\$ 242,097	\$ -	\$ 29,338	\$ 271,435
Accrued liabilities	46,262	-	-	46,262
Due to other funds	62,376	2,306	311	64,993
Total liabilities	<u>350,735</u>	<u>2,306</u>	<u>29,649</u>	<u>382,690</u>
FUND BALANCES				
Nonspendable	81,028	40,019	-	121,047
Restricted	-	1,598,899	486,412	2,085,311
Assigned	736,460	-	663,452	1,399,912
Unassigned	2,441,224	-	-	2,441,224
Total fund balances	<u>3,258,712</u>	<u>1,638,918</u>	<u>1,149,864</u>	<u>6,047,494</u>
Total liabilities and fund balances	<u>\$ 3,609,447</u>	<u>\$ 1,641,224</u>	<u>\$ 1,179,513</u>	<u>\$ 6,430,184</u>

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

COUNTY OF WARREN, PENNSYLVANIA
Reconciliation of the Balance Sheet—Governmental Funds
to the Government-wide Statement of Net Position
December 31, 2013

Amounts reported for governmental activities in the statement of net position (page 11) are different because:

Total fund balances—governmental funds (page 13)		\$ 6,047,494
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$16,527,521 and the accumulated depreciation is \$9,878,411.		6,649,110
Certain deferred outflows of resources represent a consumption of net position in a future period and, therefore, are not reported in the funds:		
Deferred charge on refunding		131,756
Net accrued interest expense for serial bonds is not reported in the funds.		(40,019)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. The effects of these items are:		
General obligation bonds	\$ (4,230,000)	
Other post-employment benefits obligation	(1,563,730)	
Judgments and claims	(141,435)	(5,935,165)
Net position of governmental activities		<u>\$ 6,853,176</u>

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

COUNTY OF WARREN, PENNSYLVANIA
Statement of Revenues, Expenditures, and Changes in Fund Balances—
Governmental Funds
Year Ended December 31, 2013

	<u>General</u>	<u>Debt Service</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 8,888,837	\$ 516,430	\$ -	\$ 9,405,267
Licenses and permits	15,952	-	-	15,952
Intergovernmental	2,346,156	-	1,024,740	3,370,896
Charges for services	1,759,498	-	663,990	2,423,488
Fines and forfeitures	68,804	-	-	68,804
Interest/investment income	6,224	4,275	2,041	12,540
Miscellaneous	231,424	-	81	231,505
Total revenues	<u>13,316,895</u>	<u>520,705</u>	<u>1,690,852</u>	<u>15,528,452</u>
EXPENDITURES				
Current:				
General government support	5,358,772	500	407,754	5,767,026
Public safety	4,516,522	-	1,242,442	5,758,964
Public works	-	-	259,214	259,214
Human services	1,662,077	-	-	1,662,077
Culture and recreation	372,200	-	-	372,200
Conservation and development	79,295	-	77,905	157,200
Miscellaneous	414,546	-	20,219	434,765
Debt service:				
Principal	-	470,000	-	470,000
Interest	26,126	84,973	-	111,099
Total expenditures	<u>12,429,538</u>	<u>555,473</u>	<u>2,007,534</u>	<u>14,992,545</u>
Excess (deficiency) of revenues over expenditures	<u>887,357</u>	<u>(34,768)</u>	<u>(316,682)</u>	<u>535,907</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	191,892	191,892
Transfers out	(191,892)	-	-	(191,892)
Total other financing sources (uses)	<u>(191,892)</u>	<u>-</u>	<u>191,892</u>	<u>-</u>
Net change in fund balances	695,465	(34,768)	(124,790)	535,907
Fund balances—beginning	<u>2,563,247</u>	<u>1,673,686</u>	<u>1,274,654</u>	<u>5,511,587</u>
Fund balances—ending	<u>\$ 3,258,712</u>	<u>\$ 1,638,918</u>	<u>\$ 1,149,864</u>	<u>\$ 6,047,494</u>

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

COUNTY OF WARREN, PENNSYLVANIA
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances—Governmental Funds to the Government-wide Statement of Activities
Year Ended December 31, 2013

Amounts reported for governmental activities in the statement of activities (page 12) are different because:

Net change in fund balances—total governmental funds (page 15)		\$ 535,907
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.</p>		
Capital asset additions	\$ 283,354	
Depreciation expense	<u>(508,200)</u>	(224,846)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
		(23,598)
<p>In the statement of activities, interest expense is recognized as it accrues, regardless of when it is paid.</p>		
		2,467
<p>The issuance of long-term debt (e.g., general obligation bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Additionally, in the statement of activities, certain operating expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). The net effects of these differences in the treatment of long-term debt and the related items are as follows:</p>		
Repayment of general obligation bonds	\$ 470,000	
Change in other post-employment benefits obligation	(391,831)	
Change in judgments and claims	<u>22,762</u>	<u>100,931</u>
Change in net position of governmental activities		<u>\$ 390,861</u>

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

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

	<u>Pension Trust Fund</u>	<u>Private Purpose Fund</u>	<u>Agency Fund</u>
ASSETS			
Restricted cash and cash equivalents	\$ 1,150,731	\$ 2,538,853	\$ 1,344,092
Investments	29,711,737	-	-
Receivables	134,136	4,670	-
Total assets	<u>30,996,604</u>	<u>2,543,523</u>	<u>1,344,092</u>
LIABILITIES			
Temporary withholding liabilities	-	-	\$ 1,344,092
Total liabilities	<u>-</u>	<u>-</u>	<u>\$ 1,344,092</u>
NET POSITION			
Held in trust for pension benefits and other purposes	<u>30,996,604</u>	<u>2,543,523</u>	
Total net position	<u>\$ 30,996,604</u>	<u>\$ 2,543,523</u>	

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

COUNTY OF WARREN, PENNSYLVANIA
Statement of Changes in Net Position—
Fiduciary Funds
Year Ended December 31, 2013

	Pension Trust Fund	Private Purpose Fund
ADDITIONS		
Contributions:		
Employee contributions	\$ 627,708	\$ -
County contributions	422,795	-
Other contributions	-	101,237
Total contributions	1,050,503	101,237
Investment income:		
Net gain in fair value	4,359,111	303,561
Interest	262,837	49,927
Dividends	349,643	-
Miscellaneous	1,114	-
Less: investment expense	(126,680)	-
Net income from investing activities	4,846,025	353,488
DEDUCTIONS		
Benefits and refunds paid to plan members and beneficiaries	(1,331,170)	(97,782)
Administrative expense	(17,350)	(19,632)
Total deductions	(1,348,520)	(117,502)
Net change in net position	4,548,008	337,223
Net position—beginning	26,448,596	2,206,300
Net position—ending	\$ 30,996,604	\$ 2,543,523

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

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COUNTY OF WARREN, PENNSYLVANIA
Notes to the Financial Statements
December 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the County of Warren, Pennsylvania (the "County") have been prepared in conformity with accounting principles generally accepted in the United States of America applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the County's accounting policies are described below.

Description of Government-wide Financial Statements

The government-wide financial statements (i.e., statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the County. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. The County reports no business-type activities. Likewise, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

Reporting Entity

The County is a unit of local government created by the Commonwealth of Pennsylvania. The County operates under provisions of laws of the Commonwealth of Pennsylvania and with authority vested by those statutes provides services and facilities in the areas of public safety, highways, sanitation, parks, recreation and general administration.

Independently elected officials of the County consist of the following:

County Commissioners (3)	Sheriff
Register and Recorder	Coroner
District Justices (4)	District Attorney
Prothonotary and Clerk of Courts	Jury Commissioners (2)
County Treasurer	Tax Collectors (27)
Internal Auditors (3)	

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. The discretely presented component units are reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the government.

Discretely Presented Component Units—The component units columns in the government-wide financial statements include the financial data of the County's discretely presented component units.

Rouse Estate—The Rouse Estate (the "Estate") is a Pennsylvania not-for-profit corporation located in Youngsville, Pennsylvania. The Estate's operations include those of a 176-bed nursing facility ("Rouse-Warren County Home"), a 60-bed assisted living facility ("The Suites at Rouse")

providing residential and support services for the aged, child care center (“Rouse Children’s Center”) providing day care services for children and the Rouse Operating Account which includes an office building (“Rouse Agricultural Center”) renting office space to businesses located in Warren County. In addition to including the Rouse Agricultural Center, the Rouse Operating Account includes activities of the Rouse Estate not included in the three other entities. The governing body of the Estate is a five voting-member Board of Directors. The Warren County Commissioners comprise the majority three of the five voting-members.

The nursing facility provides skilled and intermediate care services to residents under the Medicaid and Medicare programs.

The Estate is exempt from income taxes under Internal Revenue Code Section 501 (c)(3).

Resident Care Revenue, Net of Contractual Allowances—Reimbursement for Medicaid beneficiaries is based on the Pennsylvania Department of Public Welfare’s Case-Mix reimbursement system. Under the Case-Mix reimbursement system, providers are paid prospectively by the Pennsylvania Medicaid program. The Case-Mix reimbursement system eliminates the need for retroactive adjustments.

The Estate’s nursing facility division participates in Medicare’s prospective payments system (“PPS”). Under PPS, providers are paid prospectively by the intermediary acting on behalf of, and at the direction of the Centers for Medicaid and Medicare Services. The PPS does not provide for retroactive adjustments.

The large majority of the Estate’s revenues under third-party payor agreements are based on capitated contracts whereby the Estate receives payment based on pre-established rates and fee schedules (including Medicare and Medicaid). The payment under these contracts does not provide for retroactive cost settlements. However, from time to time, based on various regulatory issues, the Estate may receive lump sum payments from Medicare and Medicaid. These payments are recognized as revenue when the amount is known and payment is certain.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The Estate believes it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations.

County Allocation—Pursuant to a lease agreement dated July, 1980, by and between the County and the Commissioners of the Rouse Estate, the County makes annual allocations to the Estate necessary to satisfy statutory obligations to provide care for any dependent having residence in the County. The County contribution totaled \$1 for the year ended December 31, 2013.

Basis of Accounting—The financial statements of the Rouse Estate have been prepared on the accrual basis of accounting.

The Rouse Estate’s financial statements can be obtained either through inquiry of the County or the Rouse Estate. The County’s address is Commissioners of Warren County, 204 Fourth Avenue, Warren PA, 16365, and the Rouse Estate address is, Commissioners of the Rouse Estate, 701 Rouse Avenue, Youngsville, PA, 16371.

Warren Library Association—The Warren Library Association (the “Association”) is a nonprofit corporation chartered in 1874 under the laws of Pennsylvania. Support for operations comes in large part from the County and State support. The governing body of the Association is a twelve member Board of Control, seven of its members elected from and by the Association. The Warren County Commissioners appoint four members and the City of Warren appoints one member.

The Association is exempt from income taxes under Code Section 501(c)(3) of the Internal Revenue Code.

Significant Funding Sources—The Association depends on funding from County government and from State library funds for the majority of its operating budget.

Basis of Accounting—The Association reports financial information on the modified cash basis. Under this basis of accounting, income is recognized generally when received rather than when earned, and expenses are recognized when paid rather than when incurred. Certain cash transactions, by their nature, may result in the recognition of assets and liabilities rather than revenues and expenses.

The Warren Library Association’s financial statements can be obtained either through inquiry of the County or the Warren Library Association. The Warren Library Association’s address is, Warren Library Association, 205 Market Street, Warren PA, 16365.

Activities Not Deemed Properly Reportable as Part of the County—Although the following are related to the County, they are not included in the County reporting entity for the reasons noted:

Warren County Human Services Department—The Warren County Human Services Department (the “Department”) is a joinder between the Counties of Forest and Warren. The Department has adopted the provisions of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards, for the criteria used to evaluate organizations, activities and functions that should be included in the Warren County Human Services financial statements and supplementary information.

The Department has not identified any entities which should be subject to evaluation for inclusion for the Department reporting entity.

Because the Department was created for the delivery of services to the residents of the Counties of Forest and Warren, the Department has been evaluated under the aforementioned criterion for inclusion in the reporting entities of each County. This evaluation has concluded that the Department is excluded from the reporting entity of each County. Neither County exercises significant control over the Department and it is independent of the counties regarding fiscal accountability, scope of public service, and financial assisted program relationships.

Warren County Industrial Development Authority, Warren County Housing Authority, Warren County Hospital Authority, Warren County Transit Authority, Bradford Regional Airport Authority—These potential component units have separate elected boards and provide services to residents, generally within the geographic boundaries of the County. These potential units are excluded from the reporting entity because the County does not have the ability to exercise influence over their daily operations, approve budgets or provide funding.

Solid Waste Authority—The Solid Waste Authority's governing board selects management staff, sets user charges, establishes budgets and controls all aspects of solid waste management. The County provides no funding to the Authority.

Basis of Presentation – Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments and charges between the County's various functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the County's funds. Separate statements for each fund category—governmental and fiduciary—are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The County reports the following major governmental funds:

- *General Fund*—This is the principal operating fund of the County and accounts for all financial resources of the general government, except for those accounted for in another fund.
- *Debt Service Fund*—This fund is used to account for resources accumulated to be used towards future payments of principal and interest on long-term debt obligations.

Additionally, the County reports the following fund type:

Fiduciary Funds—are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations and/or other governmental units. These funds include:

- *Pension Trust Fund*—This fund is an employee retirement fund which accounts for the accumulation of resources to be used for retirement annuity payments at appropriate amounts and times in the future. The County and the Warren County Human Services account for the administrative costs of the system. Resources are contributed by employees at rates fixed by law and by the County at amounts determined by an annual actuarial study.
- *Private Purpose Fund*—This fund is used to account for resources legally held in trust for use by the County devoted for specific purposes.
- *Agency Fund*—This fund maintains funds that the County holds as an agent for individuals, private organizations, other governments, and/or other funds.

During the course of operations the County has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances

between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The 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 collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source. All other revenue items are considered to be measurable and available only when cash is received by the County.

The Pension Trust Fund and Private Purpose Fund are reported using the economic resources measurement focus and the accrual basis of accounting. The Agency Fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

Budgetary Information

Budgetary Basis of Accounting—Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund. No formal annual budget is adopted for the Debt Service and special revenue funds. Appropriation limits, where applicable, for the Debt Service Fund

and special revenue funds are maintained based on debt schedules, individual grants and donations or fundraising revenues accepted by the County. The periods of such grants may vary from the County's fiscal year.

The appropriated budget is prepared by fund, function, and department. The County's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the County Commissioners. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the departmental level.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash, Cash Equivalents, and Investments—The County's cash, cash equivalents, and investments consist of cash on hand, demand deposits, time deposits and short-term, highly liquid investments with original maturities of three months or less from the date of acquisition. The County had no investments at December 31, 2013; however, when the County does have investments it is County policy to record them at fair value based on quoted market value.

Restricted Cash and Cash Equivalents—Restricted cash and cash equivalents represent amounts to support fund balance restrictions.

Prepaid Items—Certain payments reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenses/expenditures when consumed rather than when purchased.

Capital Assets—Capital assets, which include land, land improvements, E-911 communication system and machinery and equipment are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial individual cost equal to or greater than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed after 1980. Donated capital assets are recorded at estimated fair market value at the date of donation.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the County chose to include all such items regardless of their acquisition date or amount. The County was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the County constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs, which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the County are depreciated using the straight line method over the following estimated useful lives:

	<u>Useful Life</u>
Buildings	20-40
Land improvements	5-15
Machinery and equipment:	
Permanent fixtures	20
Furniture	15
Heavy equipment	15
Office equipment	5-10
Vehicles	8
Other	10-20

Deferred Outflows/Inflows of Resources—In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. At December 31, 2013, the County has one item that qualifies for reporting in this category, a deferred charge on refunding bonds that is being amortized over the life of the refunded debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. At December 31, 2013, the County has no items which qualify for reporting in this category.

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

Fund Balance Flow Assumptions—Sometimes the County will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the County’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies—Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The County itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the County's highest level of decision-making authority. The Board of Commissioners is the highest level of decision-making authority for the County that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the County for specific purposes, but do not meet the criteria to be classified as committed. The County Commissioners have by resolution authorized the finance director to assign fund balance. The County Commissioners may also assign fund balance as they do when appropriating fund balance to cover a gap between estimated revenues and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Revenues and Expenditures/Expenses

Program Revenues—Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property Taxes—For calendar year 2013, real estate and debt service taxes were levied at 18.5 mills and 1.0 mills, respectively, upon each dollar of assessed valuation for general purposes.

Such taxes are due by November 30, after which a 10% penalty is imposed.

Unearned Revenue—Certain revenues have not met the revenue recognition criteria for government-wide or fund financial purposes.

Other

Estimates—The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Adoption of New Accounting Pronouncements—During the year ended December 31, 2013, the County implemented GASB Statements No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*, and No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*. GASB Statement No. 61 clarifies the manner in determining whether or not an organization should be included as a component unit, and GASB Statement No. 66 improves accounting and financial reporting for a governmental entity by resolving conflicting guidance that resulted from the issuance of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB Statements No. 61 and No. 66 did not have a material impact on the County's financial position or results from operations.

Future Impacts of Accounting Pronouncements—The County has not completed the process of evaluating the impact that will result from adopting GASB Statements No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*; No. 69, *Government Combinations and Disposals of Government Operations*; and No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, effective for the year ending December 31, 2014; and No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*; and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—and amendment of GASB Statement No. 68*, effective for the year ending December 31, 2015. The County is, therefore, unable to disclose the impact that adopting GASB Statements No. 67, 68, 69, 70 and 71 will have on its financial position and results of operations when such statements are adopted.

Stewardship, Compliance and Accountability

Legal Compliance—Budgets

The County adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

- At least thirty days prior to adopting the budget, the Board of Commissioners begin the preparation of the proposed operating budgets for the fiscal year commencing the following January 1. The operating budget includes proposed expenses and the means of financing them.
- The proposed budget is available for public inspection for a period of twenty days prior to adoption.
- Prior to December 31, the budget is legally enacted through passage of an ordinance.
- No such proposed amended budget shall be revised upward in excess of ten per centum in the aggregate thereof or as to an individual item in excess of twenty-five per centum of the amount of such individual item in the proposed amended budget. Any amended budget must be adopted by the County Commissioners on or before the fifteenth day of February. No supplemental appropriations were made for the year ended December 31, 2013.
- Formal budgetary integration is employed as a management control device during the year for the General Fund and is presented as required supplementary information in the Statement of Revenues, Expenditures, and Changes in Fund Balance—Budget and Actual.
- Capital project budgets are adopted on a project basis. These budgets do not lapse at year end.
- The County does not account for encumbrances.

Excess of Expenditures over Appropriations—For the year ended December 31, 2013, unfavorable variances existed in the County's General Fund appropriations. The General Fund has unfavorable variances of \$14,648 within General Government, \$141,200 within Culture and Recreation, \$36,698 within Conservation and Development, and \$146,892 within Transfers Out. These unfavorable variances were the result of unanticipated grant spending and subsidies which were not included for in the original budget, nor were budgetary transfers completed. The General Fund did not exceed the budgeted appropriations in total for the year ended December 31, 2013.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

Collateral is required for demand deposit accounts, time deposit accounts, and certificates of deposit at 100% of all deposits not covered by Federal deposit insurance. The County has entered into custodial agreements with the various banks which hold their deposits. These agreements authorize the obligation that may be pledged as collateral. Such obligations include, among other instruments, obligations of the United States and its agencies and obligations of the Commonwealth and its municipalities. Cash and cash equivalents at December 31, 2013 are shown below.

	Governmental Activites	Fiduciary Funds	Total
Cash and cash equivalents	\$ 3,488,188	\$ -	\$ 3,488,188
Restricted cash and cash equivalents	<u>1,894,242</u>	<u>5,033,676</u>	<u>6,927,918</u>
Total	<u>\$ 5,382,430</u>	<u>\$5,033,676</u>	<u>\$10,416,106</u>

Deposits—All deposits are carried at fair value and are classified by custodial credit risk at December 31, 2013 as follows:

	Bank Balance	Carrying Amount
FDIC insured	\$ 3,745,894	\$ 3,745,894
Uninsured:		
Collateral held by pledging bank's agent in the County's name	<u>6,923,016</u>	<u>6,670,212</u>
Total	<u>\$10,668,910</u>	<u>\$10,416,106</u>

Custodial Credit Risk—Deposits—Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. As noted above, all deposits in excess of FDIC insurance coverage must be collateralized. As of December 31, 2013, the County's deposits were FDIC insured or collateralized.

Restricted Cash and Cash Equivalents—The County reports restricted cash, totaling \$6,927,918, within the Debt Service Fund, Warren E-911 Fund, and its fiduciary funds. These funds are set aside for future payments toward debt service, E-911 operations and amounts held in a trustee capacity in the amounts of \$1,601,205, \$293,037 and \$5,033,676, respectively.

Concentration of Credit Risk—To promote competition in rates and service cost, and to limit the risk of institutional failure, County deposits and investments are placed with multiple institution. The general rule is not to place more than 50% of the County's total investment portfolio in overnight investments with any one institution.

Discretely Presented Component Units

Rouse Estate—The Rouse Estate considers all highly-liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. At December 31, 2013, the Rouse Estate had \$2,161,113 in cash and cash equivalents, and \$243,638 in restricted cash and cash equivalents for donor and resident deposits.

Warren Library Association—The Association considers all highly-liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. At December 31, 2013, the Association had \$309,746 in cash and cash equivalents.

3. INVESTMENTS

The County investment policies are governed by Section 1706 of the County Code of the Commonwealth of Pennsylvania. The County Treasurer is authorized to use demand deposits, time deposits, and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. Government agencies and commercial paper. Other permissible investments as authorized for any pension or retirement fund include mutual funds, common and corporate stocks, corporate bonds and any investment authorized by Pennsylvania consolidated statutes Chapter 73 relating to fiduciary responsibilities.

Investments are reported at fair value. Accounting standards provide the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy described as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.
- Level 2 Inputs to the valuation methodology include:
- quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets or liabilities in inactive markets;
 - inputs other than quoted prices that are observable for the asset or liability
 - inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The fair value of investments at December 31, 2013 was as follows:

	Pension Trust Fund	Rouse Estate	Warren Library Association	Reporting Entity Total
Short-term investments	\$ -	\$ 39,374	\$ 51,178	\$ 90,552
Fixed income	8,436,588	-	-	8,436,588
Mutual funds	4,364,511	981,754	3,812,277	9,158,542
Common stocks	16,910,638	300,716	-	17,211,354
Corporate stocks	-	459,425	-	459,425
Corporate bonds	-	185,719	-	185,719
Total	<u>\$29,711,737</u>	<u>\$1,966,988</u>	<u>\$ 3,863,455</u>	<u>\$35,542,180</u>

Interest Rate Risk—The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Investments are general limited to 180 days or less.

Custodial Credit Risk—Investments—For investments, this is the risk that, in the event of failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. A margin of 2% or higher of the market value of purchased securities in repurchase transactions must be maintained and the securities must be held by a third party in the County’s name.

The level of risk assumed by the County related to investments is that all investments are uninsured and unregistered investments for which the securities are held by an agent of the bank’s trust department but not in the County’s name. The County does not have in place, with the bank’s trust department, a custodial agreement which required prior written approval from the County Treasurer before funds can be moved. Investments are recorded at fair value. At December 31, 2013, the only investments reported by the County were within its Fiduciary Funds (Pension Trust Fund) and its component units. These investments consisted entirely of Level 1 input reliability.

4. RECEIVABLES

Major revenues accrued by the County at December 31, 2013 include:

Receivables—Primarily represents amounts due for commissions, grant reimbursements, and from other County departments, who are acting as intermediary collecting agents, collecting various fines, fees and other charges which are remitted to the County.

General Fund	\$ 727,493
Nonmajor governmental funds:	
Warren E-911 Fund	73,953
Domestic Relations Fund	<u>60,268</u>
Total governmental funds	<u>\$ 861,714</u>
Pension Trust Fund	\$ 134,136
Private Purpose Fund	<u>4,670</u>
Total fiduciary funds	<u>\$ 138,806</u>

5. CAPITAL ASSETS

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

	Balance 1/1/2013	Increases	Decreases	Balance 12/31/2013
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 272,234	\$ -	\$ -	\$ 272,234
Total capital assets, not being depreciated	<u>272,234</u>	<u>-</u>	<u>-</u>	<u>272,234</u>
Capital assets, being depreciated:				
Land improvements	182,348	25,230	-	207,578
Buildings and improvements	9,292,047	16,375	-	9,308,422
E-911 communication system	1,690,754	-	-	1,690,754
Machinery and equipment	4,818,784	241,749	(12,000)	5,048,533
Total capital assets, being depreciated	<u>15,983,933</u>	<u>283,354</u>	<u>(12,000)</u>	<u>16,255,287</u>
Less accumulated depreciation for:				
Land improvements	(151,425)	(13,839)	-	(165,264)
Buildings and improvements	(4,388,153)	(232,711)	-	(4,620,864)
E-911 communication system	(249,403)	(42,269)	-	(291,672)
Machinery and equipment	(4,593,230)	(219,381)	12,000	(4,800,611)
Total accumulated depreciation	<u>(9,382,211)</u>	<u>(508,200)</u>	<u>12,000</u>	<u>(9,878,411)</u>
Total capital assets being depreciated, net	<u>6,601,722</u>	<u>(224,846)</u>	<u>-</u>	<u>6,376,876</u>
Governmental activities capital assets, net	<u>\$ 6,873,956</u>	<u>\$ (224,846)</u>	<u>\$ -</u>	<u>\$ 6,649,110</u>

Depreciation expense was charged to functions of the governmental activities during the year ended December 31, 2013 as follows:

Governmental activities:	
General government	\$ 236,042
Public safety	142,601
Public works	25,050
Human services	68,965
Culture and recreation	15,733
Conservation and development	19,809
Total depreciation expense, governmental activities	<u>\$ 508,200</u>

Discretely Presented Component Unit

Rouse Estate—The Rouse Estate home held property, facility, and equipment stated at cost for purchased items and at fair value for contributed items. Depreciation of property, facility, and equipment is computed using the straight-line method over the estimated useful lives. At December 31, 2013, the Nursing home reported net property, facility, and equipment totaling \$7,975,370.

6. ACCRUED LIABILITIES

Accrued liabilities reported by governmental funds at December 31, 2013 were as follows:

	General Fund
Salary and employee benefits	\$ 46,262

7. PENSION PLAN

Plan Description—The County maintains a single-employer defined benefit, contributory retirement plan for all full-time County employees. The plan provides retirement, disability, and death benefits to plan members and their beneficiaries. Cost-of-living adjustments are provided at the discretion of the Warren County Employees' Retirement Board. Act 96 of 1971, as amended cited as the County Pension Law provides for the creation, maintenance and operation of this plan. Plan members are required to contribute 7% of their annual covered salary. The County is required to contribute at an actuarially determined rate. Per Act 96 of 1971, as amended, contribution requirements of the plan members and the County are established and may be amended by the General Assembly of the Commonwealth of Pennsylvania. Administrative costs may be financed through investment earnings.

Funding Policy—On an annual basis, an actuary determines the required employer contribution rates based on the age, sex, service, salary, and classification of each member.

The amount shown in the table below as "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess the Warren County Employees' Retirement System funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons with other public employee retirement systems. The measure is independent of the actuarial funding method used to determine contributions to the Warren County Employees' Retirement System.

A summary of pension benefit obligation and plan net assets for the Warren County Employees' Retirement system as of December 31, 2013, the most recent valuation date, is presented as follows:

Pension benefit obligation:	
Accumulated plan benefits	\$ 5,759,313
Terminated vested benefits	1,239,459
Retired benefits	11,651,877
Member accumulated deductions	<u>9,692,246</u>
Total liabilities of the Warren County Employees' Retirement Fund	<u>\$28,342,895</u>
Net assets available for benefits, at cost (fair value \$30,996,604)	<u>\$28,342,895</u>

The pension benefit obligation was determined as part of an actuarial valuation at January 1, 2014. Significant actuarial assumptions used, including an inflation rate of 2.00 percent, included (a) a rate of return on the investment of present and future assets of 7.50 percent per year compounded annually and (b) projected salary increases of 2.50 percent per year compounded annually.

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. For the five years ended 2013, 2012, 2011, 2010, and 2009, respectively, available assets were sufficient to fund 109.36%, 97.88%, 94.12%, 100.48%, and 100.07% of the pension benefit obligation.

The certified annual County appropriation for 2013 for the Warren County Employee's Retirement System was determined to be \$422,795. Employee contributions amounted to \$627,708 for the year ended December 31, 2013. Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the standardized measure of the pension obligation.

December 31,	Liability for Credited Projected Benefits	Net Available Assets (Fair value)	Percentage Funded	Net Plan Assets (Cost)	Unfunded Liability
2004	\$ 14,973,696	\$20,864,458	139.34%	\$18,590,747	\$ -
2005	15,934,982	22,025,427	138.22%	19,544,320	-
2006	17,465,859	24,433,186	139.89%	21,021,583	-
2007	19,660,756	25,598,185	130.20%	22,567,657	-
2008	20,690,254	18,554,000	89.68%	21,871,807	2,136,254
2009	22,859,824	22,876,049	100.07%	22,395,683	-
2010	24,212,274	24,328,888	100.48%	24,212,274	-
2011	25,829,305	24,309,897	94.12%	25,829,305	1,519,408
2012	27,021,315	26,448,596	97.88%	27,021,315	572,719
2013	28,342,895	30,996,604	109.36%	28,342,895	-

Historical trend information showing the sufficient assets to pay benefits when due, with the exception of the plan years ended December 31, 2008, 2011 and 2012, is presented in the December 31, 2013 annual financial report of the system. Additional detailed information concerning the system may also be found in such report.

8. OTHER POST-EMPLOYMENT BENEFITS ("OPEB") OBLIGATION

Plan Description—In addition to providing pension benefits, the County provides medical, dental and prescription drug insurance benefits for retirees while contributing a portion of the expenses. Such post-employment benefits are an included value in the exchange of salaries and benefits for services rendered. An employee's total compensation package includes not only the salaries and benefits received during service, but all compensation and benefits received for their services during postemployment. The County provides an experience rated Bridge Coverage plan for retirees under the age of 65. In addition, the County provides a Medicare Supplement plan option for their Medicare eligible retirees. There were 62 retirees receiving health care benefits at December 31, 2013.

Funding Policy—Authorization for the County to pay a portion, or all, of retiree health insurance premiums was enacted by resolution of the Board of Commissioners or through union contracts, which are ratified by the Board of Commissioners. For an employee to be eligible for the County's post-employment health plan they must qualify for retirement as per the County requirements. Retirees of the County under the age of 65 are provided with the same health care benefits as the active employees including health, prescription drug coverage, and dental insurance. The coverage continues until Medicare Eligibility Age. Based on the most recent actuarial valuation, the current theoretical premium based on the most recent three year average claims experience available equals \$608.74 per month. Retirees of the County who retired from active employment with the County

prior to October 1, 2007, or who are actively employed and are the status of elected official as of October 1, 2007, are eligible to receive Medicare Supplemental Insurance Benefits for life. Based on the most recent actuarial valuation, the current theoretical premium based on the most recent three year average claims experience available equals \$549.23 per month.

The County's annual OPEB cost is calculated based on the annual required contributions ("ARC") of the employer, an amount actuarially determined in accordance with the parameters of GASB. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liability over a period not to exceed thirty years.

The table presented below shows the components of the County's annual OPEB cost for the past two years, the amount actually contributed to the plan, and the changes in the County's net OPEB obligation.

	Year ended December 31, 2013	Year ended December 31, 2012
Annual required contribution ("ARC")	\$ 742,324	\$ 742,324
Interest on net OPEB obligation	58,564	50,961
Adjustment to ARC	<u>(107,998)</u>	<u>(94,461)</u>
Annual OPEB cost (expense)	692,890	698,824
Contributions made	<u>(301,059)</u>	<u>(546,154)</u>
Increase in net OPEB obligation	391,831	152,670
Net OPEB obligation - beginning	<u>1,171,899</u>	<u>1,019,229</u>
Net OPEB obligation - ending	<u>\$ 1,563,730</u>	<u>\$ 1,171,899</u>

Funding Status and Funding Progress—As of December 31, 2013, the most recent actuarial valuation date, the plan was not funded. Since there were no assets, the unfunded actuarial liability for benefits was \$5,650,980.

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 future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The County's schedule of contributions for the most recent three years is shown below:

Year Ended December 31,	Annual Required Contribution	Contributions Made	Percentage Contributed
2013	\$ 742,324	\$ 301,059	40.6%
2012	742,324	546,154	73.6%
2011	738,810	515,207	69.7%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions—Calculations are based on the types of benefits provided under the terms of the substantive plan, the plan as understood by the employer and the plan members, at the time of the valuation and on the pattern of cost sharing between the employer and plan members. Calculations reflect a long-term perspective, so methods and assumptions used include techniques that are designed to reduce short-term volatility.

In the December 31, 2013 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a valuation date of December 31, 2013 and measurement date of December 31, 2013. The expected investment rate of return on employer's assets is 5.0%. The rate is based on the projected long-term earning rate of the assets expected to be available to pay benefits. Since the County does not currently segregate funding for these benefits, the appropriate rate is the expected return on the employer's assets. The RP-2000 Mortality Table projected to 2020 for males and females is used for mortality rates. The rates of decrement due to disability are assumed to be zero. The assumed rate of increase in health care and the administrative fees are assumed to increase at 5.0% per year. The unfunded actuarial accrued liability is being amortized on a level dollar payment closed basis, and based on the most recent actuarial valuation, the remaining amortization period at December 31, 2013 was determined to be a weighted average of 14.25 years based on active employees versus retirees.

9. RISK MANAGEMENT

The County assumes liability for some risk including, but not limited to, torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The County purchases commercial insurances to cover such potential risks. For the year ended December 31, 2013, general liability insurance is limited to \$1 million per occurrence, and an annual aggregate \$2 million. The automobile liability insurance is limited to \$1 million per accident. The excess liability insurance is limited to \$4 million per occurrence and in the aggregate. There have not been any settlements which have exceeded insurance coverage in the past three fiscal years.

The County is a party to litigation which has arisen in the ordinary course of its operation. The ultimate outcome of this litigation cannot be determined and no provisions for loss or gain, if any, that may result has been made in the accompanying financial statements. It is the opinion of the County that there will not be any material adverse effects on the County's financial statements as a result of this litigation.

The County has entered into an Administrative Services Agreement with Benefit Administrators, Inc. ("BAI"). As part of the agreement, BAI oversees the entire self insurance program for medical and dental. The County also uses Highmark as its Third Party Administrator to prepare forms, and process claims. The responsibility of insuring claims however, lies with the County.

In order to insure against larger than expected health care losses associated with the self insurance plan, the County pays an additional amount for stop loss insurance. This agreement includes a "specific deductible" for each covered person. This deductible per covered person is \$135,000 per year. This will cover the individual up to a lifetime maximum specific benefit of \$1,865,000. Above this dollar amount Warren County will be liable for the claim. In return, the County pays a composite rate of \$45.79 per employee for the stop loss insurance. The plans coverage extends to both medical and prescription claims.

The County is liable for claims under \$135,000 per person for each of its 256 members covered under the plan. The County would also be liable for claims over \$1,865,000 over the course of each covered member's lifetime. Claims expenditures and liabilities are reported when it is probable that a

loss has occurred and the amount of that loss can be reasonable estimated. The County recorded \$141,435 of incurred but not recorded health claims for the year ended December 31, 2013.

10. SHORT-TERM DEBT

Short-term debt transactions of the County include a short-term tax anticipation note. There was no short-term outstanding debt at December 31, 2013.

The following is a summary of the County's short-term debt for the year ended December 31, 2013:

Description:	Interest	Maturity	Balance			Balance
	Rate	Date	1/1/2013	Issued	Paid	12/31/2013
Tax anticipation note	1.40%	12/31/2013	\$ -	\$3,500,000	\$3,500,000	\$ -

11. LONG-TERM LIABILITIES

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

In the fund financial statements, governmental funds recognize bond premiums and discounts 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. Further, the unmatured principal of general long-term debt does not require current appropriations and expenditure of governmental fund financial resources.

The County's outstanding long-term liabilities include bonds payable, other post-employment benefits obligation, and judgments and claims. The bonds payable of the County are secured by its general credit and revenue raising powers, as per State statute.

A summary of changes in the County's long-term debt at December 31, 2013 follows:

	Balance			Balance	
	Outstanding 1/1/2013	Additions	Deletions	Outstanding 12/31/2013	Current Portion
Governmental activities:					
General obligation bonds	\$ 4,700,000	\$ -	\$ (470,000)	\$ 4,230,000	\$ 485,000
OPEB obligation	1,171,899	692,890	(301,059)	1,563,730	-
Judgments and claims	164,197	141,435	(164,197)	141,435	141,435
Total governmental activities	\$ 6,036,096	\$ 834,325	\$ (935,256)	\$ 5,935,165	\$ 626,435

General Obligation Bonds—The County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. On September 21, 2011, the County issued \$5,190,000 in General Obligation Bonds, Series 2011A, to refund its General Obligation Bonds, Series 2005, with an interest range of 0.65% to 2.40%, and Series 2003, with an interest range of 1.30% to 4.43%. The outstanding balance of the Series 2011A bonds at December 31, 2013 is \$3,045,000. The net proceeds of these refunding bonds (after deductions for net issuance costs including underwriters' discount) were placed in an irrevocable trust fund and used to redeem, at 100% of the principal amount thereof, together with interest accrued thereon, on October 20, 2011, the 2003 and 2005 Bonds then outstanding. As a result, the original bonds are fully refunded and the liability for those bonds has been removed from the financial statements.

Other Post-Employment Benefits (“OPEB”) Obligation—As explained in Note 8, the County provides a portion of healthcare benefits for retirees. The County’s annual OPEB cost is calculated based on the annual required contributions of the employer, an amount actuarially determined in accordance with GASB. The County’s long-term OPEB obligation is estimated to be \$1,563,730 at December 31, 2013.

Judgments and Claims—As explained in Note 9, the County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; injuries to employees and natural disasters. The County purchases commercial insurances to cover such potential risks. There have not been any settlements which have exceeded insurance coverage in the past three fiscal years. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonable estimated. The County recorded \$141,435 of incurred but not recorded claims for the year ended December 31, 2013.

The following is a maturity schedule of the County’s indebtedness:

	General Obligation Bonds	OPEB Obligation	Judgments and Claims	Total
2014	\$ 485,000	\$ -	\$ 141,435	\$ 626,435
2015	490,000	-	-	490,000
2016	500,000	-	-	500,000
2017	1,030,000	-	-	1,030,000
2018	1,050,000	-	-	1,050,000
2019-thereafter	<u>675,000</u>	<u>1,563,730</u>	<u>-</u>	<u>2,238,730</u>
	<u>\$ 4,230,000</u>	<u>\$ 1,563,730</u>	<u>\$ 141,435</u>	<u>\$ 5,935,165</u>

Interest requirements on general obligation bonds payable are as follows:

Year ending December 31,	Interest
2014	\$ 80,038
2015	73,975
2016	67,238
2017	59,113
2018	38,513
2019-2023	<u>16,200</u>
	<u>\$ 335,077</u>

Discretely Presented Component Unit

The Rouse Estate's outstanding long-term liabilities include bonds payable, loans payable, and revenue anticipation note payable.

A summary of changes in the Rouse Estate's long-term debt at December 31, 2013 follows:

	Balance			Balance	
	Outstanding			Outstanding	Current
	1/1/2013	Additions	Deletions	12/31/2013	Portion
Rouse Estate:					
General obligation bonds	\$ 2,035,000	\$ -	\$ (505,000)	\$ 1,530,000	\$ 505,000
Loans payable	59,874	159,258	(18,356)	200,776	35,904
Revenue note payable	<u>2,086,428</u>	<u>2,292,236</u>	<u>(87,524)</u>	<u>4,291,140</u>	<u>164,667</u>
Total Rouse Estate	<u>\$ 4,181,302</u>	<u>\$ 2,451,494</u>	<u>\$ (610,880)</u>	<u>\$ 6,021,916</u>	<u>\$ 705,571</u>

General Obligation Bonds—The Rouse Estate issued \$2,550,000 in General Obligation Bonds, Series 2011B, on behalf of the Estate. The outstanding balance of the Series 2011B bonds at December 31, 2013 is \$1,530,000. The proceeds from the sale of the bonds were used to refund the outstanding General Obligation Bonds, Series B of 2002. The bonds are secured by bond insurance and the County of Warren, Pennsylvania's full faith, credit, and taxing power. Bond issue costs in connection with the bonds amounted to \$31,838. The issue costs are being amortized over the lives of the bonds.

Loans Payable—The Rouse Estate is required to maintain certain financial covenants as stated in the loan documents. At December 31, 2013, certain covenants have not been met, and the bank has waived such noncompliance. The loans payable are collateralized by equipment, vehicles and other assets of the Estate. The total loans payable reported by the Rouse Estate at December 31, 2013 is \$200,776.

Revenue Note Payable—The Estate was issued a \$4,450,000 Tax-Exempt Revenue Note, Series 2012 by the Warren County Industrial Development Authority. The revenue note was used to refinance the 2006 note payable for The Suites at Rouse and Rouse Annex and for construction and renovation projects at the Rouse-Warren County Home and The Suites at Rouse. The portion of the loan that qualifies as a construction loan is in the process of being drawn down as of December 31, 2013. The revenue note is secured by the property of the Rouse Estate along with assignment of rents and leases. Debt issuance costs in connection with the bonds amounted to \$43,536.

12. NET POSITION AND FUND BALANCE

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

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

The following is a reconciliation of the County's governmental activities net investment in capital assets:

Capital assets, net of accumulated depreciation	\$ 6,649,110
Less: related debt	
Bonds payable	(4,230,000)
Deferred charge on refunding	<u>131,756</u>
Net investment in capital assets	<u>\$ 2,550,866</u>

- ◆ **Restricted Net Position**—This category represents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. The total restricted component of net position of \$2,085,311 is restricted for debt reduction, E-911 operations and Special Purpose Funds' operations in the amounts of \$1,598,899, \$406,338 and \$80,074, respectively, within governmental activities.
- ◆ **Unrestricted Net Position**—This category represents net position of the County not restricted for any project or other purpose.

In the fund financial statements, nonspendable amounts represent net current financial resources that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance maintained by the County at December 31, 2013 includes:

- ◆ **Prepaid Items**—Represents amounts prepaid to the retirement system and for debt service interest payments that are applicable to future accounting periods. The General Fund and Debt Service Fund reported amounts of \$81,028 and \$40,019, respectively.

In the fund financial statements, restricted fund balances are amounts constrained to specific purposes (such as grantors, bondholders, and higher levels of government) through constitutional provisions or by enabling legislation. Restricted fund balance maintained by the County at December 31, 2013 includes:

	Debt Reduction	E-911 Operations	Special Purpose	Total Restricted
Debt Service Fund	\$ 1,598,899	\$ -	\$ -	\$ 1,598,899
E-911 Fund	-	406,338	-	406,338
Housing Trust Fund	-	-	68,697	68,697
Juvenile Probation Fund	-	-	11,321	11,321
Northwest Home Rehab Fund	-	-	56	56
Total	<u>\$ 1,598,899</u>	<u>\$ 406,338</u>	<u>\$ 80,074</u>	<u>\$ 2,085,311</u>

- ◆ **Debt Reduction**—Represents \$1,598,899 restricted for the reduction of future debt service requirements.
- ◆ **E-911 Operations**—Represents \$406,338 restricted for costs associated with the operations of the County's E-911 Fund.
- ◆ **Special Purpose**—Represents \$80,074 restricted for costs associated with the operations of the County's Special Purpose Funds.

In the fund financial statements, commitments are amounts that are subject to a purpose constraint imposed by a formal action of the County's highest level of decision-making authority. As of December 31, 2013, the County has no committed fund balance.

The County Commissioners authorizes the finance director to make a determination of the assigned amounts of fund balance. Assigned funds represent amounts intended to be used for a specific purpose. Assignments of fund balance at December 31, 2013 include:

	Health Insurance	Specific Use	Total Assigned
General Fund	\$ 736,460	\$ -	\$ 736,460
Liquid Fuels Fund	-	39,948	39,948
DUI Program Fund	-	56,731	56,731
Prothonotary Automation Fund	-	14,635	14,635
Records Improvement Fund	-	193,026	193,026
Small Communities Fund	-	2,738	2,738
Hazardous Materials Fund	-	23,446	23,446
Domestic Relations Fund	-	320,881	320,881
Orphan Court Fund	-	12,047	12,047
Total	<u>\$ 736,460</u>	<u>\$ 663,452</u>	<u>\$ 1,399,912</u>

- ◆ *Assigned to Health Insurance*—Represents available fund balance for potential future payment of health insurance costs.
- ◆ *Specific Use*—Represents fund balance within the special revenue funds that is assigned for a specific purpose. The assignments' purpose relates to each fund's operations and represents the remaining amounts within funds that are not restricted or committed.

If the County must use funds for emergency expenditures the County Commissioners shall authorize the finance director to expend funds first from funds classified as nonspendable (if funds become available) then restricted funds. The use of committed and assigned funds will occur after the exhaustion of available restricted funds. Finally, if no other fund balances are available the County will use unassigned fund balance.

13. INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables are short-term in nature and exist because of temporary advances or payments made on behalf of other funds. The composition of interfund balances as of December 31, 2013 is as follows:

Fund	Interfund	
	Receivable	Payable
General Fund	\$ -	\$ 62,376
Debt Service Fund	-	2,306
Other governmental funds	64,993	311
Total	<u>\$ 64,993</u>	<u>\$ 64,993</u>

The outstanding balances between funds result from payments made on behalf of other funds or temporary advances. All of these balances are expected to be collected/paid within the subsequent year.

The County made the following transfers during the year ended December 31, 2013:

Fund	Transfers in:	
	Other	Governmental
	Funds	
Transfers out:		
General Fund	\$	<u>191,892</u>

Transfers are used primarily to move revenues received from third parties in the General Fund to those funds administering the programs receiving aid or reimbursement.

14. AGENCY FUND

An agency fund exists for employee withholding and temporary deposit funds. A summary of the assets and liabilities for the years ended December 31, 2013 and 2012 is presented below:

	Balance 12/31/2013	Balance 12/31/2012
ASSETS		
Restricted cash and cash equivalents	<u>\$ 1,344,092</u>	<u>\$ 914,798</u>
LIABILITIES		
Temporary withholdings liabilities	<u>\$ 1,344,092</u>	<u>\$ 914,798</u>

15. RELATED PARTY TRANSACTIONS

The County provided the Warren Library Association an allocation of \$230,000 which was recorded as a culture and recreation expenditure.

16. LABOR RELATIONS

Certain County employees are represented by two bargaining units, with the balance of the employees governed by County rules and regulations. The Service Employees International Union units and American Federation of State, County and Municipal Employees have settled contracts through December 31, 2013.

17. CONTINGENCIES

Litigation—Various legal actions are pending against the County. The outcome of these matters is not presently determinable, but in the opinion of management, the ultimate liability will not have a material adverse effect on the financial condition or results of operation of the County.

Grants—In the normal course of operations, the County receives grant funds from various Federal and State agencies. These grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any disallowed expenditures resulting from such audits could become a liability of the governmental funds. While the amount of expenditures, if any, which may be disallowed cannot be determined at this time, management expects any amounts to be immaterial.

Other—The County is involved in litigation in the ordinary course of its operations. The County believes that its ultimate liability, if any, in connection with these matters will not have a material effect on the County's financial condition or results of operations.

18. SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 21, 2014, which is the date the financial statements are available for issuance, and have determined there are no subsequent events, except as noted below, that require disclosure under generally accepted accounting principles.

On January 9, 2014, the County issued \$4,000,000 of tax anticipation notes with an interest rate at 33 percent (33%) of PNC Bank National Association Prime Rate, not to exceed three percent (3%). These notes mature on December 31, 2014.

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REQUIRED SUPPLEMENTARY INFORMATION

COUNTY OF WARREN, PENNSYLVANIA
Schedule of Revenues, Expenditures, and Changes in Fund Balances—
Budget and Actual—General Fund
Year Ended December 31, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance</u> <u>with Final</u> <u>Budget</u>
	<u>Adopted</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 9,221,000	\$ 9,221,000	\$ 8,888,837	\$ (332,163)
Licenses and permits	20,400	20,400	15,952	(4,448)
Intergovernmental	2,460,078	2,460,078	2,346,156	(113,922)
Charges for services	1,552,200	1,552,200	1,759,498	207,298
Fines and forfeits	70,600	70,600	68,804	(1,796)
Interest/investment income	21,340	21,340	6,224	(15,116)
Miscellaneous	154,700	154,700	231,424	76,724
Total revenues	<u>13,500,318</u>	<u>13,500,318</u>	<u>13,316,895</u>	<u>(183,423)</u>
EXPENDITURES				
General government	5,344,124	5,344,124	5,358,772	(14,648)
Public safety	4,591,503	4,591,503	4,516,522	74,981
Human services	2,602,701	2,602,701	1,662,077	940,624
Culture and recreation	231,000	231,000	372,200	(141,200)
Conservation and development	42,597	42,597	79,295	(36,698)
Miscellaneous	491,811	491,811	414,546	77,265
Debt service:				
Interest	48,000	48,000	26,126	21,874
Total expenditures	<u>13,351,736</u>	<u>13,351,736</u>	<u>12,429,538</u>	<u>922,198</u>
Excess (deficiency) of revenues over expenditures	<u>148,582</u>	<u>148,582</u>	<u>887,357</u>	<u>738,775</u>
OTHER FINANCING USES				
Transfers out	(45,000)	(45,000)	(191,892)	(146,892)
Total other financing uses	<u>(45,000)</u>	<u>(45,000)</u>	<u>(191,892)</u>	<u>(146,892)</u>
Net change in fund balances	103,582	103,582	695,465	591,883
Fund balances—beginning	2,563,247	2,563,247	2,563,247	-
Fund balances—ending	<u>\$ 2,666,829</u>	<u>\$ 2,666,829</u>	<u>\$ 3,258,712</u>	<u>\$ 591,883</u>

COUNTY OF WARREN, PENNSYLVANIA
Schedule of Funding Progress—
Other Post-Employment Benefits Plan
Year Ended December 31, 2013

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability ("AAL")	Unfunded AAL ("UAAL")	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
As of December 31, 2013	\$ -	\$ 5,650,980	\$ 5,650,980	-	\$ 6,680,925	0.85
As of January 1, 2012	-	6,934,382	6,934,382	-	6,418,659	1.08
As of January 1, 2010	-	7,191,410	7,191,410	-	7,197,146	1.00

SUPPLEMENTARY INFORMATION

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COUNTY OF WARREN, PENNSYLVANIA
Combining Balance Sheet—Nonmajor Governmental Funds
December 31, 2013

	<u>Special Revenue</u>		<u>Total</u>
	<u>Other</u>	<u>Special</u>	<u>Nonmajor</u>
	<u>Governmental</u>	<u>Purpose</u>	<u>Governmental</u>
			<u>Funds</u>
ASSETS			
Cash and cash equivalents	\$ 610,791	\$ 76,471	\$ 687,262
Restricted cash and cash equivalents	293,037	-	293,037
Receivables	134,221	-	134,221
Due from other funds	61,390	3,603	64,993
Total assets	<u>\$ 1,099,439</u>	<u>\$ 80,074</u>	<u>\$ 1,179,513</u>
LIABILITIES			
Accounts payable	\$ 29,338	\$ -	\$ 29,338
Due to other funds	311	-	311
Total liabilities	<u>29,649</u>	<u>-</u>	<u>29,649</u>
FUND BALANCES			
Restricted	406,338	80,074	486,412
Assigned	663,452	-	663,452
Total fund balances	<u>1,069,790</u>	<u>80,074</u>	<u>1,149,864</u>
Total liabilities and fund balances	<u>\$ 1,099,439</u>	<u>\$ 80,074</u>	<u>\$ 1,179,513</u>

COUNTY OF WARREN, PENNSYLVANIA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances—
Nonmajor Governmental Funds
Year Ended December 31, 2013

	<u>Special Revenue</u>		<u>Total</u>
	<u>Other</u>	<u>Special</u>	<u>Nonmajor</u>
	<u>Governmental</u>	<u>Purpose</u>	<u>Governmental</u>
			<u>Funds</u>
REVENUES			
Intergovernmental	\$ 978,424	\$ 46,316	\$ 1,024,740
Charges for services	661,432	2,558	663,990
Interest/investment income	1,988	53	2,041
Miscellaneous	81	-	81
Total revenues	<u>1,641,925</u>	<u>48,927</u>	<u>1,690,852</u>
EXPENDITURES			
Current:			
General government	407,754	-	407,754
Public safety	1,241,742	700	1,242,442
Public works	202,433	56,781	259,214
Conservation and development	-	77,905	77,905
Miscellaneous	20,219	-	20,219
Total expenditures	<u>1,872,148</u>	<u>135,386</u>	<u>2,007,534</u>
Excess (deficiency) of revenues over expenditures	<u>(230,223)</u>	<u>(86,459)</u>	<u>(316,682)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	166,477	25,415	191,892
Transfers out	-	-	-
Total other financing sources (uses)	<u>166,477</u>	<u>25,415</u>	<u>191,892</u>
Net change in fund balances	(63,746)	(61,044)	(124,790)
Fund balances—beginning	<u>1,133,536</u>	<u>141,118</u>	<u>1,274,654</u>
Fund balances—ending	<u>\$ 1,069,790</u>	<u>\$ 80,074</u>	<u>\$ 1,149,864</u>

COUNTY OF WARREN, PENNSYLVANIA
Combining Balance Sheet—Special Revenue (Other Governmental) Funds
December 31, 2013

	Liquid Fuels	DUI Program	Prothontary Automation	Records Improvement	Small Communities	Hazardous Materials	Warren E-911	Domestic Relations	Orphan Court	Total Other Governmental
ASSETS										
Cash and cash equivalents	\$ 48,863	\$ 51,495	\$ 16,517	\$ 192,693	\$ 2,738	\$ 25,825	\$ -	\$ 260,613	\$ 12,047	\$ 610,791
Restricted cash and cash equivalents	-	-	-	-	-	-	293,037	-	-	293,037
Receivables	-	-	-	-	-	-	73,953	60,268	-	134,221
Due from other funds	-	10,636	-	333	-	-	50,421	-	-	61,390
Total assets	\$ 48,863	\$ 62,131	\$ 16,517	\$ 193,026	\$ 2,738	\$ 25,825	\$ 417,411	\$ 320,881	\$ 12,047	\$ 1,099,439
LIABILITIES										
Accounts payable	\$ 8,906	\$ 5,400	\$ 1,580	\$ -	\$ -	\$ 2,379	\$ 11,073	\$ -	\$ -	\$ 29,338
Due to other funds	9	-	302	-	-	-	-	-	-	311
Total liabilities	8,915	5,400	1,882	-	-	2,379	11,073	-	-	29,649
FUND BALANCES										
Restricted	-	-	-	-	-	-	406,338	-	-	406,338
Assigned	39,948	56,731	14,635	193,026	2,738	23,446	-	320,881	12,047	663,452
Total fund balances	39,948	56,731	14,635	193,026	2,738	23,446	406,338	320,881	12,047	1,069,790
Total liabilities and fund balances	\$ 48,863	\$ 62,131	\$ 16,517	\$ 193,026	\$ 2,738	\$ 25,825	\$ 417,411	\$ 320,881	\$ 12,047	\$ 1,099,439

COUNTY OF WARREN, PENNSYLVANIA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances—
Special Revenue (Other Governmental) Funds
Year Ended December 31, 2013

	Liquid Fuels	DUI Program	Protho-nary Auto-mation	Records Improve-ment	Small Comm-unities	Hazard-ous Materials	Warren E-911	Domestic Relations	Orphan Court	Total Other Governmental
REVENUES										
Intergovernmental	\$ 201,109	\$ -	\$ -	\$ -	\$ 270,762	\$ -	\$ 322,959	\$ 183,594	\$ -	\$ 978,424
Charges for services	-	130,113	-	-	-	135,653	309,004	86,662	-	661,432
Interest/investment income	16	11	117	84	-	10	1,369	-	381	1,988
Miscellaneous	-	81	-	-	-	-	-	-	-	81
Total revenues	201,125	130,205	117	84	270,762	135,663	633,332	270,256	381	1,641,925
EXPENDITURES										
Current:										
General government	-	-	17,143	-	-	-	-	390,611	-	407,754
Public safety	-	112,081	-	-	270,831	132,903	725,927	-	-	1,241,742
Public works	202,433	-	-	-	-	-	-	-	-	202,433
Miscellaneous	-	-	-	8,975	-	11,244	-	-	-	20,219
Total expenditures	202,433	112,081	17,143	8,975	270,831	144,147	725,927	390,611	-	1,872,148
Excess (deficiency) of revenues over expenditures	(1,308)	18,124	(17,026)	(8,891)	(69)	(8,484)	(92,595)	(120,355)	381	(230,223)
OTHER FINANCING SOURCES										
Transfers in	-	13,518	9,778	18,853	-	-	-	124,328	-	166,477
Total other financing sources	-	13,518	9,778	18,853	-	-	-	124,328	-	166,477
Net change in fund balances	(1,308)	31,642	(7,248)	9,962	(69)	(8,484)	(92,595)	3,973	381	(63,746)
Fund balances—beginning	41,256	25,089	21,883	183,064	2,807	31,930	498,933	316,908	11,666	1,133,536
Fund balances—ending	\$ 39,948	\$ 56,731	\$ 14,635	\$ 193,026	\$ 2,738	\$ 23,446	\$ 406,338	\$ 320,881	\$ 12,047	\$ 1,069,790

COUNTY OF WARREN, PENNSYLVANIA
Combining Balance Sheet—Special Revenue (Special Purpose) Funds
December 31, 2013

	<u>Housing Trust</u>	<u>Juvenile Probation</u>	<u>Northwest Home Rehab</u>	<u>Total Special Purpose</u>
ASSETS				
Cash and cash equivalents	\$ 65,224	\$ 11,191	\$ 56	\$ 76,471
Due from other funds	<u>3,473</u>	<u>130</u>	<u>-</u>	<u>3,603</u>
Total assets	<u>\$ 68,697</u>	<u>\$ 11,321</u>	<u>\$ 56</u>	<u>\$ 80,074</u>
FUND BALANCES				
Restricted	<u>\$ 68,697</u>	<u>\$ 11,321</u>	<u>\$ 56</u>	<u>\$ 80,074</u>
Total fund balances	<u>\$ 68,697</u>	<u>\$ 11,321</u>	<u>\$ 56</u>	<u>\$ 80,074</u>

COUNTY OF WARREN, PENNSYLVANIA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances—
Special Revenue (Special Purpose) Funds
Year Ended December 31, 2013

	<u>Housing</u>	<u>Juvenile</u>	<u>Northwest</u>	<u>Total</u>
	<u>Trust</u>	<u>Probation</u>	<u>Home Rehab</u>	<u>Special</u>
				<u>Purpose</u>
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 46,316	\$ 46,316
Charges for services	-	2,558	-	2,558
Interest/investment income	50	2	1	53
Total revenues	<u>50</u>	<u>2,560</u>	<u>46,317</u>	<u>48,927</u>
EXPENDITURES				
Current:				
Public safety	-	700	-	700
Public works	-	-	56,781	56,781
Conservation and development	<u>77,905</u>	<u>-</u>	<u>-</u>	<u>77,905</u>
Total expenditures	<u>77,905</u>	<u>700</u>	<u>56,781</u>	<u>135,386</u>
Excess (deficiency) of revenues over expenditures	<u>(77,855)</u>	<u>1,860</u>	<u>(10,464)</u>	<u>(86,459)</u>
OTHER FINANCING SOURCES				
Transfers in	<u>25,415</u>	<u>-</u>	<u>-</u>	<u>25,415</u>
Total other financing sources	<u>25,415</u>	<u>-</u>	<u>-</u>	<u>25,415</u>
Net change in fund balances	(52,440)	1,860	(10,464)	(61,044)
Fund balances—beginning	<u>121,137</u>	<u>9,461</u>	<u>10,520</u>	<u>141,118</u>
Fund balances—ending	<u>\$ 68,697</u>	<u>\$ 11,321</u>	<u>\$ 56</u>	<u>\$ 80,074</u>

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FEDERAL AWARDS INFORMATION

COUNTY OF WARREN, PENNSYLVANIA
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2013

<u>Federal Grantor/Pass-Through Grantor/Program Title (1)</u>	<u>Federal CFDA Number (2)</u>	<u>Pass-Through Entity's Identifying Number</u>	<u>Federal Expenditures (3)</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through Pennsylvania Department of Agriculture:			
Emergency Food Assistance Program (Administrative)	10.568	1903183676	\$ 1,263
Emergency Food Assistance Program (Food Commodities)	10.569	1702483696	22,397
Passed through Pennsylvania Department of Conservation and Natural Resources:			
Schools and Roads - Grants to States	10.665	1903063893	<u>849,807</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>873,467</u>
U.S. DEPARTMENT OF DEFENSE			
Direct Program:			
Payments to States in Lieu of Real Estate Taxes	12.112	N/A	<u>132,403</u>
TOTAL U.S. DEPARTMENT OF DEFENSE			<u>132,403</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed through Pennsylvania Department of Community and Economic Development:			
Community Development Block Grant	14.228	1702474292	271,426
Emergency Solutions Grant Program	14.231	1702474044	45,644
Home Investment Partnerships Program	14.239	1702474054	<u>46,316</u>
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>363,386</u>
U.S. DEPARTMENT OF JUSTICE			
Passed through Pennsylvania Department of Executive Offices:			
Juvenile Accountability Block Grants	16.523	2207189995	8,813
Edward Byrne Memorial Justice Assistance Grant-Recovery	16.803	2207178935	<u>3,748</u>
TOTAL U.S. DEPARTMENT OF JUSTICE			<u>12,561</u>
U.S. DEPARTMENT OF TRANSPORTATION			
Passed through Pennsylvania Department of Transportation:			
Highway Planning and Construction	20.205	1702472282	30,424
Alcohol Impaired Driving Countermeasures Incentives Grants	20.601	2207238791	15,000
Passed through Pennsylvania Emergency Management Agency:			
Interagency Hazardous Materials Training and Planning Grants	20.703	1903226789	<u>6,880</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			<u>52,304</u>
U.S. GENERAL SERVICES ADMINISTRATION			
Passed through Pennsylvania Department of General Services:			
Donation of Federal Surplus Personal Property	39.003	1702467209	<u>5,494</u>
TOTAL U.S. GENERAL SERVICES ADMINISTRATION			<u>5,494</u>

(continued)

			(concluded)
<u>Federal Grantor/Pass-Through Grantor/Program Title (1)</u>	<u>Federal CFDA Number (2)</u>	<u>Pass-Through Entity's Identifying Number</u>	<u>Federal Expenditures (3)</u>
U.S. DEPARTMENT OF EDUCATION			
Passed through Pennsylvania Department of Public Welfare: Special Education - Grants for Infants and Families	84.181	1903081720	<u>61,530</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>61,530</u>
U.S. ELECTION ASSISTANCE COMMISSION			
Passed through Pennsylvania Department of the State: Help America Vote Act Requirements Payments	90.401	1903222741	<u>22,421</u>
TOTAL U.S. ELECTION ASSISTANCE COMMISSION			<u>22,421</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through Pennsylvania Department of Public Welfare:			
Guardianship Assistance	93.090	1903074175	24,013
Projects for Asst. in Transition from Homelessness (PATH)	93.150	1903084527	31,508
Temporary Assistance for Needy Families	93.558	1903067782	21,020
Child Support Enforcement Program	93.563	1903036202	165,604
Child Care & Development Block Grant	93.575	2207410442	90,191
Child Care Mandatory and Matching Funds	93.596	2207218880	143,968
Child Welfare Services Program	93.645	1903076982	16,502
Foster Care - Title IV-E	93.658	1903036045	436,414
Adoption Assistance	93.659	1702447955	269,211
Social Services Block Grant	93.667	1903084527	147,928
Foster Care Independence Program	93.674	1903069045	42,609
Medical Assistance Program	93.778	1903075200	249,576
Block Grants for Community Mental Health Services	93.958	1903084527	40,837
Direct Program:			
Health Care and Other Facilities	93.887	N/A	36,746
Passed through Pennsylvania Department of Drug and Alcohol Programs: Block Grants for Prevention and Treatment of Substance Abuse	93.959	1903045911	<u>91,609</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>1,807,736</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed through Pennsylvania Emergency Management Agency:			
Emergency Management Performance Grants	97.042	1903222681	87,381
Homeland Security Grant Program	97.067	1702480669	<u>17,067</u>
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>104,448</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE (4)			<u>\$ 3,435,750</u>

The notes to the schedule of federal awards are an integral part of this schedule.

COUNTY OF WARREN, PENNSYLVANIA
Notes to the Schedule of Expenditures of Federal Awards
Year Ended December 31, 2013

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the County of Warren, Pennsylvania's (the "County") programs of the federal government for the year ended December 31, 2013. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position or cash flows of the County. The following notes were identified on the schedule of expenditures of federal awards:

- (1) Includes all federal award programs of the County of Warren, Pennsylvania. The federal expenditures of the Rouse Estate and the Warren Library Association have not been included.
- (2) Source: Catalog of Federal Domestic Assistance.
- (3) Prepared under accounting principles generally accepted in the United States of America and includes all federal award programs.
- (4) A reconciliation to the financial statements is available.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

3. SUBRECIPIENTS

Of the federal expenditures presented in the Schedule, the County of Warren, Pennsylvania provided federal awards to subrecipients as follows:

Program Title	CFDA Number	Amount
Emergency Food Assistance Program (Administrative)	10.569	\$ 22,397
Emergency Food Assistance Program (Food Commodities)	10.665	849,807
Projects for Asst. in Transition from Homelessness (PATH)	93.150	31,508
Temporary Assistance for Needy Families	93.558	21,020
Child Care & Development Block Grant	93.575	90,191
Child Care Mandatory and Matching Funds	93.596	143,968
Child Welfare Services Program	93.645	16,502
Foster Care - Title IV-E	93.658	436,414
Adoption Assistance	93.659	269,211
Social Services Block Grant	93.667	147,928
Foster Care Independence Program	93.674	42,609
Medical Assistance Program	93.778	249,576
Health Care and Other Facilities	93.887	36,746
Block Grants for Community Mental Health Services	93.958	40,837
Block Grants for Prevention and Treatment of Substance Abuse	93.959	91,609

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Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Honorable County Commissioners
County of Warren, Pennsylvania:

We have audited, 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, the financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Warren, Pennsylvania (the "County") as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated August 21, 2014. Our report includes a reference to other auditors who audited the financial statements of the Rouse Estate and Warren Library Association, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention to those charged by governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2013-001 and 2013-002 that we consider to be significant deficiencies.

Compliance and Other Matters

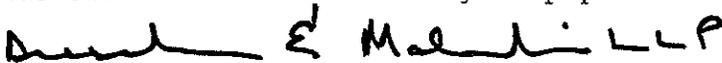
As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

County's Response to Findings

The County's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

 David E. McMillan

August 21, 2014

Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT
ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable County Commissioners
County of Warren, Pennsylvania:

Report on Compliance for Each Major Federal Program

We have audited the County of Warren, Pennsylvania's (the "County") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2013. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The County's basic financial statements include the operations of the Rouse Estate and Warren Library Association, whom received federal awards which are not included in the County's schedule of expenditures of federal awards for the year ended December 31, 2013. Our audit, described below, did not include the operations of the aforementioned component units because other auditors were engaged to perform such audits in accordance with OMB Circular A-133, as applicable.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

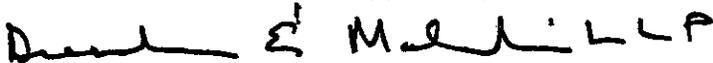
Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

 David E. Melillo

August 21, 2014

COUNTY OF WARREN, PENNSYLVANIA
Schedule of Findings and Questioned Costs
Year Ended December 31, 2013

Part I. SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditors' report issued: Unmodified*

* (which report refers to other auditors and contains an explanatory paragraph relating to the financial statements of the County's component unit, the Warren Library Association, having been prepared on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America)

Internal control over financial reporting:

- | | | | | |
|---|---|-----|---|---------------|
| 1. Material weakness(es) identified? | _____ | Yes | _____ <input checked="" type="checkbox"/> | No |
| 2. Significant deficiency(ies) identified not considered to be material weakness(es)? | _____ <input checked="" type="checkbox"/> | Yes | _____ | None reported |
| 3. Noncompliance material to financial statements noted? | _____ | Yes | _____ <input checked="" type="checkbox"/> | No |

Federal Awards:

Type of auditors' report issued on compliance for major programs: Unmodified

Internal control over major programs:

- | | | | | |
|---|-------|-----|---|---------------|
| 4. Material weakness(es) identified? | _____ | Yes | _____ <input checked="" type="checkbox"/> | No |
| 5. Significant deficiency(ies) identified not considered to be material weakness(es)? | _____ | Yes | _____ <input checked="" type="checkbox"/> | None reported |
| 6. Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (section .510(a))? | _____ | Yes | _____ <input checked="" type="checkbox"/> | No |

7. The County's major programs were:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Schools and Roads – Grants to States	10.665
Edward Byrne Memorial Justice Assistance Grant-Recovery	16.803
Homeland Security Grant Program	97.067

- | | | | | |
|---|---|-----|----------------|----|
| 8. Dollar threshold used to distinguish between Type A and Type B programs? | | \$ | <u>300,000</u> | |
| 9. Auditee qualified as low-risk auditee? | _____ <input checked="" type="checkbox"/> | Yes | _____ | No |

Part II. FINANCIAL STATEMENT FINDINGS SECTION

We consider the deficiencies presented below to be significant deficiencies in internal control.

Finding 2013-001—Year End Accrual Procedures

Criteria: Subsequent cash disbursements and cash receipts should be reviewed and evaluated for inclusion as accruals in accounts payable and accounts receivable, as appropriate. The accounts payable and accounts receivable balances should be supported by information detailing the total balances.

Condition and Context: During our testing of subsequent cash disbursements and cash receipts, we noted several items which met the criteria for accrual at year end which were not included in the County's accounts payable and receivable balances. Additionally, we noted that there was insufficient supporting documentation for the items which comprise the balances included in accounts payable and accounts receivables.

Effect or Potential Effect: Accounts payable and expenditures, and accounts receivable and revenues are at risk of overstatement/understatement.

Cause: The County does not have a policy and procedure in place to review and evaluate its subsequent disbursements and receipts for consideration of accrual at year end.

Recommendation: We recommend that the County develop a policy and procedure to review and evaluate its subsequent disbursements and receipts for consideration of accrual at year end. Additionally, the balances of accounts payable and accounts receivable should have adequate supporting documentation attached for the detail of the balances.

Management Response: The County included the identified items for accrual in adjusting entries to ensure proper inclusion for the financial statement balances at December 31, 2013. Additionally, the County plans to review their subsequent cash disbursements and cash receipts at year end for consideration of accrual at year end.

Finding 2013-002—Bank Reconciliation Procedures

Criteria: Monthly bank reconciliations play a key role in proving the accuracy of cash balances throughout the fiscal year. Bank reconciliations should be performed in a timely manner and by an individual independent of the cash receipt and general ledger functions. Bank reconciliations will detail any adjustments to the bank balances to support the cash balances recorded by the County in their general ledger as their book balances.

Condition and Context: During our testing of bank reconciliations, we noted that a lack of communication exists between the Fiscal and Treasurer's departments. The Treasurer's department will perform the bank reconciliations and provide to the Fiscal department for review and approval for recording to the general ledger. Bank reconciliations have not been provided to the Fiscal department in a timely manner, resulting in certain transactions being omitted from the general ledger cash balances in a given month.

Effect or Potential Effect: Cash balances in the general ledger may not agree to the performed bank reconciliation. There is an increased potential risk for misstatement of the financial statements and/or misappropriation of cash due to the untimely reconciliation of the bank statements to the general ledger.

Cause: The County has no formalized policy or procedure for the bank reconciliation process, and there is a lack of communication between the department performing the bank reconciliation and the department reviewing and approving the balances for recording in the general ledger.

Recommendation: In order to provide more accurate and timely accounting information, we strongly recommend that the County establish more effective review and reconciliation policies and procedures as a customary part of the cash cycle. The Fiscal and Treasurer's departments should meet to create a streamline and efficient process. We recommend that this policy be implemented, whereby all bank accounts are reconciled to the general ledger on a monthly basis.

Management Response: The County has acknowledged this inconsistency in the bank reconciliation process, and is in the process of developing a formalized bank reconciliation process which includes the participation of the Fiscal and Treasurer's departments. This process will include monthly bank reconciliation to the general ledger, as well as review and approval between the departments preparing and posting the activity.

Part III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION

No findings.

COUNTY OF WARREN, PENNSYLVANIA
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2013

No findings were reported.