

**COUNTY OF WARREN,  
PENNSYLVANIA**

*Basic Financial Statements, Required Supplementary  
Information, Supplementary Information and Federal  
Awards Information for the Year Ended  
December 31, 2014 and Independent Auditors' Reports*



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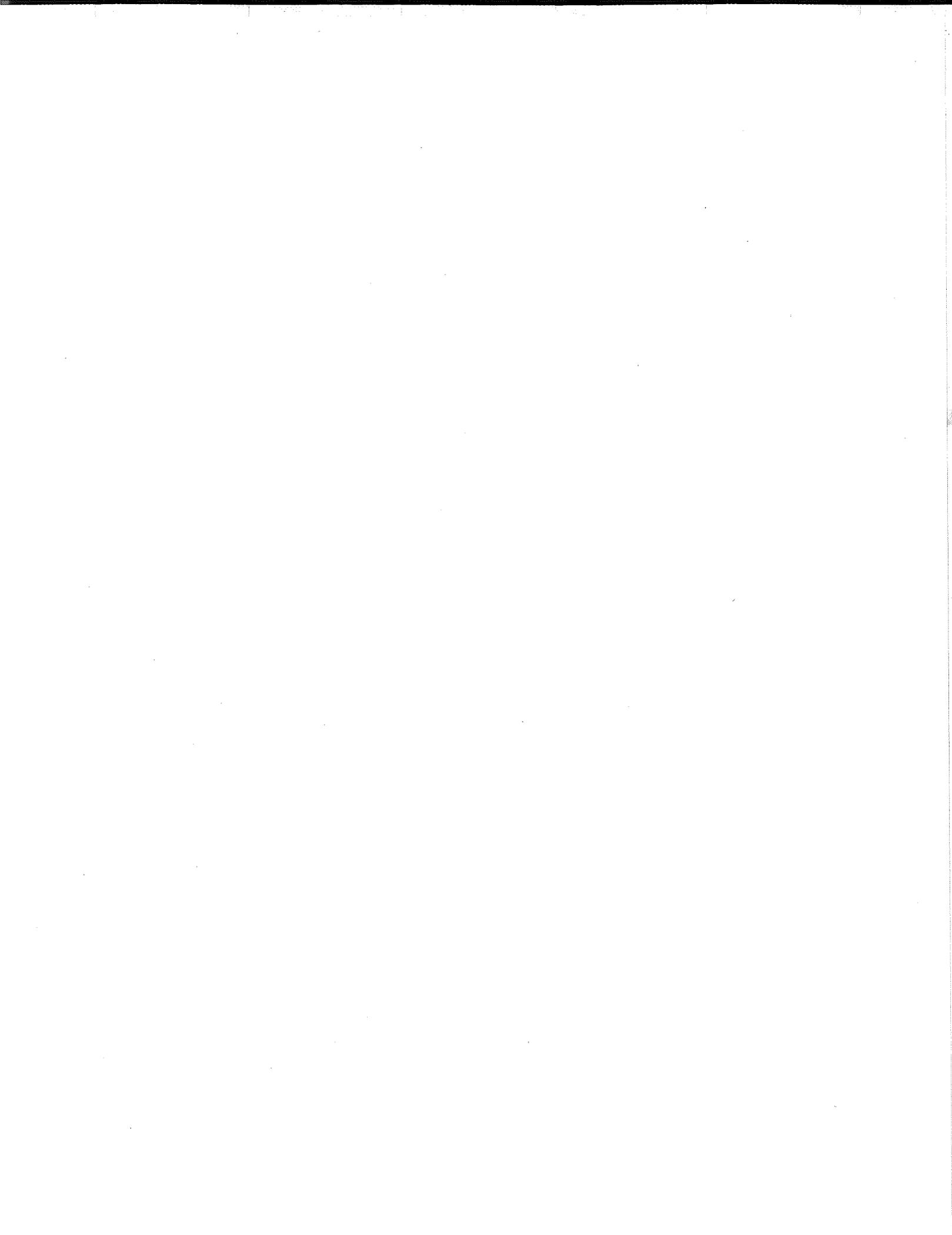
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Certified Public Accountants

## **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, 2014, 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 thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component units, 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, 2014, 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

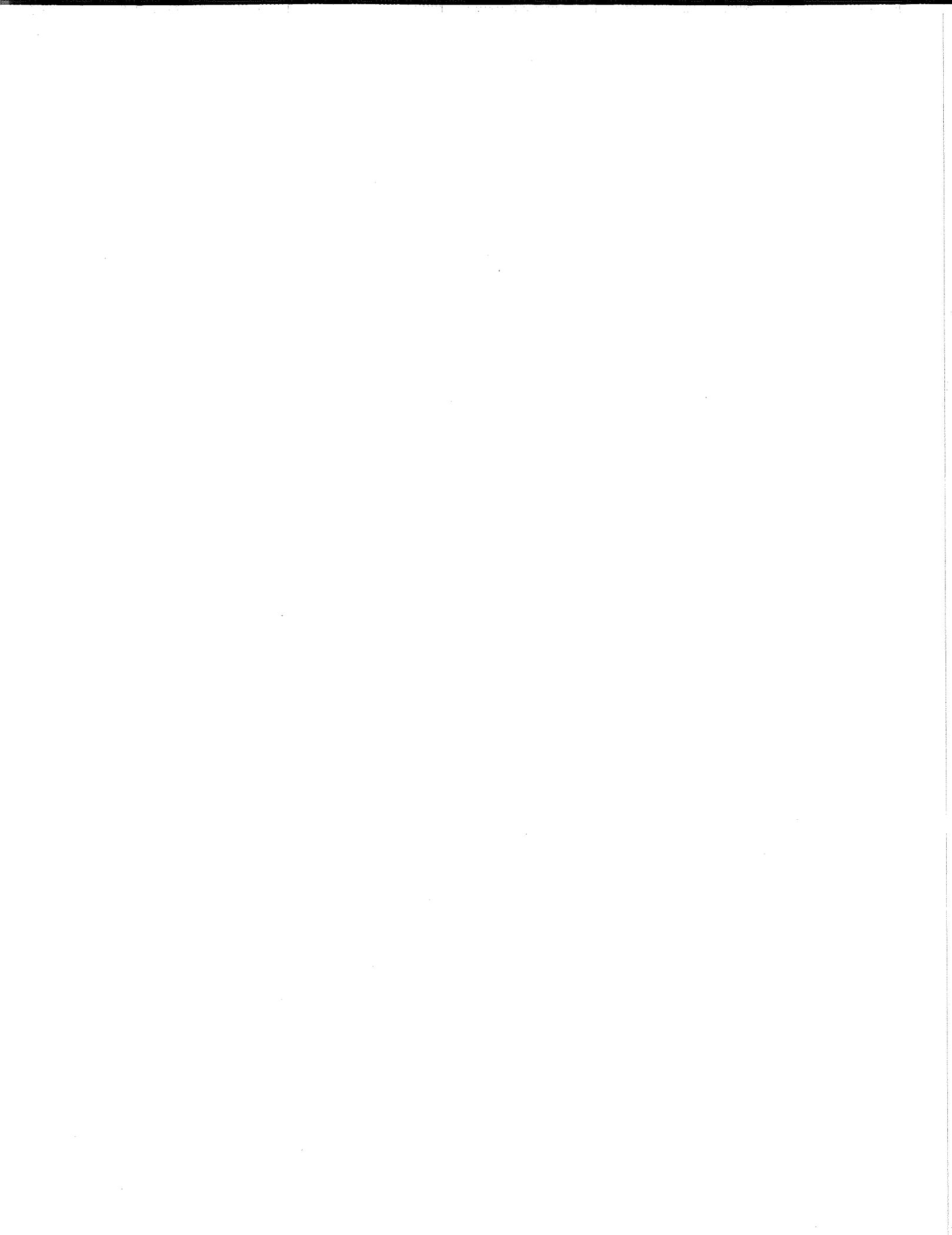
generally accepted in the United States of America. In our opinion, the Supplementary Information, as listed in the table of contents, and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2015 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.

*Dunbar & Malachuk LLP*

August 28, 2015



**COUNTY OF WARREN, PENNSYLVANIA**  
**Management's Discussion and Analysis**  
**Year Ended December 31, 2014**

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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 year ended December 31, 2014. 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 primary government exceeded its liabilities at the close of the most recent fiscal year by \$8,035,392 (*net position*). This consists of \$2,946,834 net investment in capital assets, \$2,002,645 restricted for specific purposes, and unrestricted net position of \$3,085,913.
- The County's primary government net position increased \$1,182,216 during the year ended December 31, 2014.
- At the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$7,099,508, an increase of \$1,052,014 in comparison with the prior year's fund balance of \$6,047,494. The County had unrestricted fund balances of \$4,991,455; 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 \$1,104,243. At December 31, 2014, unassigned fund balance for the General Fund was \$3,555,581, or 29.1 percent of total General Fund expenditures and transfers out.
- The County's bonded indebtedness decreased \$485,000 as a result of scheduled principal payments.

**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 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 to 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 12-13 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 14-17 of this report.

**Fiduciary funds**—Fiduciary funds are used to account for resources held for the benefit of parties outside the County. 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 18-19 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 20-42 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 progress in funding its obligation to provide post-employment benefits to its employees and the County’s budgetary comparison schedule for the General Fund. Required Supplementary Information and a related note to the required supplementary information can be found on pages 43-45 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the Required Supplementary Information in the Supplementary Information section of this report on pages 46-51.

The Federal Awards Information section presents the County’s Schedule of Expenditures of Federal Awards. The Federal Awards Information can be found on pages 52-61 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 exceeded liabilities by \$8,035,392 at the close of the most recent fiscal year, as compared to \$6,853,176 at the close of the 2013 fiscal year.

Table 1, shown below, presents a condensed statement of net position compared to the prior year.

**Table 1—Condensed Statements of Net Position—Primary Government**

	Governmental Activities	
	December 31,	
	2014	2013
Current assets	\$ 7,460,930	\$ 6,365,191
Capital assets	6,583,676	6,649,110
Total assets	<u>14,044,606</u>	<u>13,014,301</u>
Deferred outflows of resources	108,158	131,756
Current liabilities	398,410	357,716
Noncurrent liabilities	5,718,962	5,935,165
Total liabilities	<u>6,117,372</u>	<u>6,292,881</u>
Net position:		
Net investment in capital assets	2,946,834	2,550,866
Restricted	2,002,645	2,085,311
Unrestricted	<u>3,085,911</u>	<u>2,216,999</u>
Total net position	<u>\$ 8,035,390</u>	<u>\$ 6,853,176</u>

A portion of the County's net position, \$2,946,834, reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment), 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, \$2,002,645, represents resources that are subject to external restrictions imposed by creditors, grantors, contributions, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. The remaining balance of net position, \$3,085,913, is considered unrestricted and available to meet the County's ongoing obligations to citizens and creditors.

Table 2, as presented below, shows the changes in net position for the years ended December 31, 2014 and December 31, 2013.

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

	<u>Governmental Activities</u>	
	<u>Year Ended December 31,</u>	
	<u>2014</u>	<u>2013</u>
Program revenues:		
Charges for services	\$ 3,194,203	\$ 2,834,474
Operating grants and contributions	902,117	850,329
General revenues	<u>11,459,211</u>	<u>11,843,649</u>
Total revenues	<u>15,555,531</u>	<u>15,528,452</u>
Program expenses	<u>14,373,315</u>	<u>15,137,591</u>
Change in net position	1,182,216	390,861
Net position—beginning	<u>6,853,176</u>	<u>6,462,315</u>
Net position—ending	<u>\$ 8,035,392</u>	<u>\$ 6,853,176</u>

Overall revenues of the primary government increased 0.2 percent from the prior year, due primarily to increased charges for services and taxes revenues offset by decreased intergovernmental revenues. Total program expenses decreased 5.0 percent from the prior year, due primarily to decreases within human services for daycare programs, and decreases within miscellaneous expenses for reduced retirement contributions.

A summary of sources of revenues for the years ended December 31, 2014 and December 31, 2013 is presented on the following page in Table 3.

**Table 3—Summary of Sources of Revenues—Primary Government**

	Year Ended December 31,		Increase/(Decrease)	
	2014	2013	Dollars	Percent (%)
Charges for services	\$ 3,194,203	\$ 2,834,474	\$ 359,729	12.7
Operating grants and contributions	902,117	850,329	51,788	6.1
Taxes	9,399,215	9,262,801	136,414	1.5
Intergovernmental	1,827,980	2,346,156	(518,176)	(22.1)
Interest/investment income	11,171	12,540	(1,369)	(10.9)
Miscellaneous	220,845	222,152	(1,307)	(0.6)
Total revenues	<u>\$ 15,555,531</u>	<u>\$ 15,528,452</u>	<u>\$ 27,079</u>	0.2

The County's most significant source of revenue for the primary government is taxes, which accounts for \$9,399,215, or 60.4 percent of total revenues for the year ended December 31, 2014, and \$9,262,801, or 59.7 percent of total revenues for the year ended December 31, 2013. The next largest source of revenue for the year ended December 31, 2014 was charges for services of \$3,194,203, or 20.5 percent of total revenues, comparable to \$2,834,474, or 18.3 percent of total revenues for the year ended December 31, 2013.

During the year ended December 31, 2014, intergovernmental revenues decreased \$518,176 from the year ended December 31, 2013. This decrease is primarily attributed to the closing of a daycare program grant, which concluded in the prior year. Additionally, charges for services increased \$359,729 compared to the year ended December 31, 2013, mainly due to the sale of delinquent properties as well as increased fines and forfeitures collected. Taxes increased \$136,414 compared to the year ended December 31, 2013, as a result of budgeted increases.

A summary of program expenses for the years ended December 31, 2014 and December 31, 2013 is presented below in Table 4.

**Table 4—Summary of Program Expenses—Primary Government**

	Year Ended December 31,		Increase/(Decrease)	
	2014	2013	Dollars	Percent (%)
General government	\$ 5,966,740	\$ 5,989,589	\$ (22,849)	(0.4)
Public safety	5,800,878	5,943,546	(142,668)	(2.4)
Public works	221,895	291,109	(69,214)	(23.8)
Human services	1,518,807	1,774,931	(256,124)	(14.4)
Culture and recreation	412,246	397,761	14,485	3.6
Conservation and development	105,748	181,160	(75,412)	(41.6)
Miscellaneous	229,625	427,265	(197,640)	(46.3)
Interest and other fiscal charges	117,376	132,230	(14,854)	(11.2)
Total program expenses	<u>\$ 14,373,315</u>	<u>\$ 15,137,591</u>	<u>\$ (764,276)</u>	(5.0)

The County's significant expense items for the year ended December 31, 2014 were general government of \$5,966,740, or 41.5 percent of total expenses, and public safety (primarily police services) of \$5,800,878, or 40.4 percent of total expenses. Similarly, for the year ended December 31, 2013 significant expenses were general government of \$5,989,589, or 39.6 percent of total expenses, and public safety of \$5,943,546, or 39.3 percent of total expenses.

During the year ended December 31, 2014, human services expenses decreased \$256,124. The decrease in human services expenses is primarily attributed to a significant decrease in costs related to administering the Warren County Economic Opportunity Council daycare program, which experienced no local aid or funding in the current year. Additionally, miscellaneous expenses decreased \$197,640 compared to the year ended December 31, 2013, mainly due to reduced retirement contributions. The County experienced a decrease in public safety expenses due to declining costs related to operations in the Hazardous Materials and Warren E-911 areas.

**Financial Analysis of the Governmental Funds**

**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 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.

At December 31, 2014, the County’s governmental funds reported combined ending fund balances of \$7,099,508, an increase of \$1,052,014 in comparison with the prior year. The County had fund balances of \$4,252,501, which constitutes *unassigned fund balance* and *assigned to a specific use* in special revenue funds, which is available for spending at the County’s discretion or amounts within special revenue funds that are not restricted or committed. The remainder of fund balance is either *nonspendable*, *restricted*, or *assigned* to indicate that it is: (1) not in spendable form - \$105,408, (2) restricted for particular purposes - \$2,002,645, or (3) assigned for particular purposes - \$738,954.

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

**Table 5—Major Funds’ Fund Balance**

	General	Debt Service
Net change in fund balances	\$ 1,104,243	\$ (45,428)
Unassigned or assigned to the fund's specific use	3,555,581	-
Total fund balance	4,362,955	1,593,490
Percentage unassigned or assigned to specific use	81.5%	0.0%

The General Fund is the chief operating fund of the County. Total ending fund balance was \$4,362,955. Approximately 81.5 percent, \$3,555,581, of this amount is unassigned fund balance. The General Fund fund balance increased \$1,104,243 as a result of this year’s activity. Overall General Fund expenditures for the year ended December 31, 2014 were significantly lower in comparison to the year ended December 31, 2013, decreasing 2.7 percent, \$341,647. This decrease was largely the result of a decrease in human services and miscellaneous expenditures. 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 and transfers out. Unassigned fund balance represents 29.1 percent of General Fund expenditures and transfers out, while total fund balance represents 35.7 percent of that same amount.

The County's Debt Service Fund ending fund balance was \$1,593,490, of which \$36,988 represents prepaid debt service interest payments and \$1,556,502 has been restricted to be used for the future payment of debt service. During the year ended December 31, 2014, the Debt Service Fund fund balance decreased \$45,428 as a result of principal and interest payments exceeding taxes and interest revenues for the year.

**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, 2014 is presented below in Table 6.

**Table 6—Summary of General Fund Results of Operations**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues	\$ 13,098,460	\$ 13,098,460	\$ 13,338,827	\$ 240,367
Expenditures and other financing uses	12,983,868	12,983,868	12,234,584	749,284
Excess of revenues over expenditures and other financing uses	<u>\$ 114,592</u>	<u>\$ 114,592</u>	<u>\$ 1,104,243</u>	<u>\$ 989,651</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 total significant favorable variance of \$989,651. The County spent less than anticipated for daycare program administration and retirement contributions, and experienced reduced costs surrounding public safety. Additionally, the County received unbudgeted revenues for the sale of delinquent properties within charges for services.

**Capital Assets and Debt Administration**

**Capital assets**—The County's investment in capital assets for its governmental activities as of December 31, 2014, amounted to \$6,583,676 (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 primary government at the years ended December 31, 2014 and 2013 are presented on the following page in Table 7.

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

	<u>Governmental Activities</u>	
	<u>December 31,</u>	
	<u>2014</u>	<u>2013</u>
Land	\$ 272,234	\$ 272,234
Land improvements	37,809	42,314
Buildings and improvements	4,497,162	4,687,558
E-911 communication system	1,356,813	1,399,082
Machinery and equipment	<u>419,658</u>	<u>247,922</u>
Total	<u>\$ 6,583,676</u>	<u>\$ 6,649,110</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 to the financial statements.

**Long-term debt**—At December 31, 2014, the County had total bonded debt outstanding of \$3,745,000, as compared to \$4,230,000 in the prior year. During the year ended December 31, 2014, the County made scheduled bond principal payments of \$485,000.

A summary of the County's long-term liabilities at December 31, 2014 and 2013 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>2014</u>	<u>2013</u>	<u>Percent (%)</u>	
General obligation bonds	\$ 3,745,000	\$ 4,230,000	\$ (485,000)	(22.4)
OPEB obligation	1,781,325	1,563,730	217,595	(11.3)
Judgments and claims	<u>192,637</u>	<u>141,435</u>	<u>51,202</u>	16.0
Total	<u>\$ 5,718,962</u>	<u>\$ 5,935,165</u>	<u>\$ (216,203)</u>	7.1

Additional information on the County's long-term debt can be found in Note 11 to the financial statements.

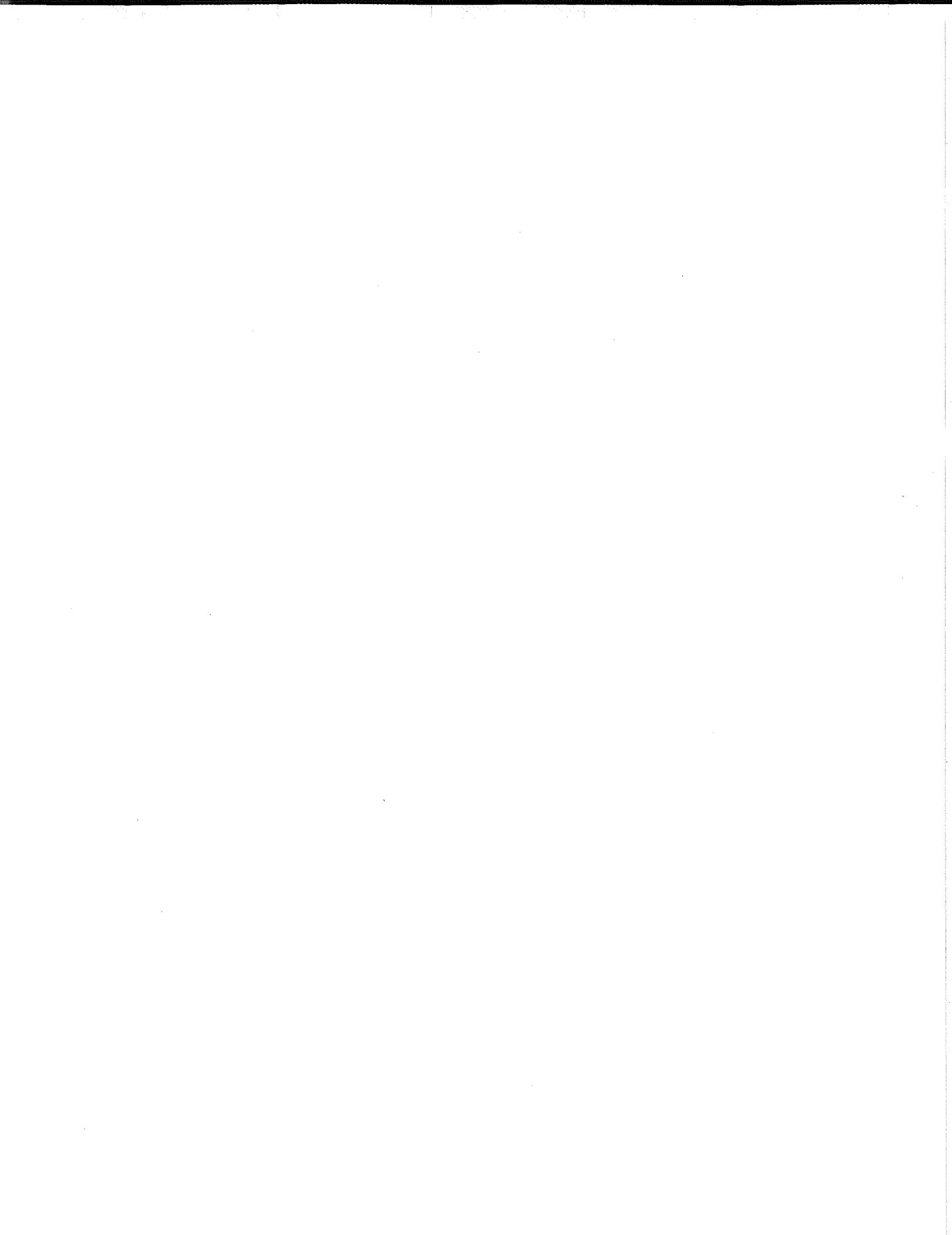
### **Economic Factors**

The unemployment rate, not seasonally adjusted, for the County during December 2014 was 4.3 percent, which is decreased from the prior year and favorable when compared to the Pennsylvania State unemployment rate of 5.0 percent and the national unemployment rate of 5.6 percent.

### **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. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the 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, 2014**

	<u>Primary Government</u>	<u>Component Units</u>	
	<u>Governmental Activities</u>	<u>Rouse Estate</u>	<u>Warren Library Association</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 4,573,541	\$ 3,190,103	\$ 371,131
Restricted cash and cash equivalents	1,795,578	318,109	-
Investments	-	2,031,671	3,850,668
Receivables	986,403	1,585,654	-
Estimated third party payor settlements	-	28,908	-
Prepaid items	105,408	175,219	-
Other assets	-	74,791	-
Capital assets not being depreciated	272,234	309,350	-
Capital assets, net of accumulated depreciation	<u>6,311,442</u>	<u>7,171,282</u>	<u>-</u>
Total assets	<u>14,044,606</u>	<u>14,885,087</u>	<u>4,221,799</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding	<u>108,158</u>	<u>-</u>	<u>-</u>
Total deferred outflows of resources	<u>108,158</u>	<u>-</u>	<u>-</u>
<b>LIABILITIES</b>			
Accounts payable	274,966	175,134	-
Accrued liabilities	86,456	8,282,124	-
Interest payable	36,988	-	-
Unearned revenue	-	157,818	-
Noncurrent liabilities:			
Due within one year	682,637	714,353	-
Due in more than one year	<u>5,036,325</u>	<u>4,759,920</u>	<u>-</u>
Total liabilities	<u>6,117,372</u>	<u>14,089,349</u>	<u>-</u>
<b>NET POSITION</b>			
Net investment in capital assets	2,946,834	-	-
Restricted	2,002,645	1,386,705	2,728,833
Unrestricted	<u>3,085,913</u>	<u>(590,967)</u>	<u>1,492,966</u>
Total net position	<u>\$ 8,035,392</u>	<u>\$ 795,738</u>	<u>\$ 4,221,799</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, 2014**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Primary Government</u>	<u>Component Units</u>	
				<u>Governmental Activities</u>	<u>Rouse Estate</u>	<u>Warren Library Association</u>
<b>Primary government:</b>						
Governmental activities:						
General government	\$ 5,966,740	\$ 2,230,929	\$ -	\$ (3,735,811)	\$ -	\$ -
Public safety	5,800,878	803,368	499,334	(4,498,176)	-	-
Public works	221,895	-	-	(221,895)	-	-
Human services	1,518,807	-	-	(1,518,807)	-	-
Culture and recreation	412,246	159,906	-	(252,340)	-	-
Conservation and development	105,748	-	319,594	213,846	-	-
Miscellaneous	229,625	-	-	(229,625)	-	-
Interest and other fiscal charges	117,376	-	83,189	(34,187)	-	-
Total primary government	<u>\$ 14,373,315</u>	<u>\$ 3,194,203</u>	<u>\$ 902,117</u>	<u>(10,276,995)</u>	-	-
<b>Component units:</b>						
Rouse Estate	\$ 17,860,139	\$ 16,274,431	\$ 116,843		(1,468,865)	-
Warren Library Association	1,342,939	46,035	1,110,889		-	(186,015)
Total component units	<u>\$ 19,203,078</u>	<u>\$ 16,320,466</u>	<u>\$ 1,227,732</u>		<u>(1,468,865)</u>	<u>(186,015)</u>
General revenues:						
Taxes				9,399,215	-	-
Intergovernmental				1,827,980	-	-
Interest/investment income				11,171	141,332	55,624
Nonoperating gains on investments				-	-	178,989
Miscellaneous				220,845	161,569	-
Total general revenues				<u>11,459,211</u>	<u>302,901</u>	<u>234,613</u>
Change in net position				1,182,216	(1,165,964)	48,598
Net position—beginning				<u>6,853,176</u>	<u>1,961,702</u>	<u>4,173,201</u>
Net position—ending				<u>\$ 8,035,392</u>	<u>\$ 795,738</u>	<u>\$ 4,221,799</u>

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

**COUNTY OF WARREN, PENNSYLVANIA**  
**Balance Sheet—Governmental Funds**  
**December 31, 2014**

	<u>General</u>	<u>Debt Service</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,906,742	\$ -	\$ 666,799	\$ 4,573,541
Restricted cash and cash equivalents	-	1,556,502	239,076	1,795,578
Receivables	731,463	-	254,940	986,403
Prepaid items	68,420	36,988	-	105,408
Total assets	<u>\$ 4,706,625</u>	<u>\$ 1,593,490</u>	<u>\$ 1,160,815</u>	<u>\$ 7,460,930</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 257,214	\$ -	\$ 17,752	\$ 274,966
Accrued liabilities	86,456	-	-	86,456
Total liabilities	<u>343,670</u>	<u>-</u>	<u>17,752</u>	<u>361,422</u>
<b>FUND BALANCES</b>				
Nonspendable	68,420	36,988	-	105,408
Restricted	-	1,556,502	446,143	2,002,645
Assigned	738,954	-	696,920	1,435,874
Unassigned	3,555,581	-	-	3,555,581
Total fund balances	<u>4,362,955</u>	<u>1,593,490</u>	<u>1,143,063</u>	<u>7,099,508</u>
Total liabilities and fund balances	<u>\$ 4,706,625</u>	<u>\$ 1,593,490</u>	<u>\$ 1,160,815</u>	<u>\$ 7,460,930</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, 2014**

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

Total fund balances—governmental funds (page 14)		\$ 7,099,508
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$16,693,497 and the accumulated depreciation is \$10,109,821.		6,583,676
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		108,158
Net accrued interest expense for bonds is not reported in the funds.		(36,988)
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	\$ (3,745,000)	
Other post-employment benefits obligation	(1,781,325)	
Judgments and claims	(192,637)	(5,718,962)
Net position of governmental activities		\$ 8,035,392

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, 2014**

	<u>General</u>	<u>Debt Service</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Taxes	\$ 9,044,191	\$ 514,930	\$ -	\$ 9,559,121
Licenses and permits	19,678	-	-	19,678
Intergovernmental	1,827,978	-	1,104,651	2,932,629
Charges for services	2,022,739	-	583,359	2,606,098
Fines and forfeitures	113,039	-	-	113,039
Interest/investment income	2,710	5,430	3,031	11,171
Miscellaneous	308,492	-	5,303	313,795
Total revenues	<u>13,338,827</u>	<u>520,360</u>	<u>1,696,344</u>	<u>15,555,531</u>
<b>EXPENDITURES</b>				
Current:				
General government	5,524,460	750	470,599	5,995,809
Public safety	4,436,352	-	1,156,276	5,592,628
Public works	-	-	197,955	197,955
Human services	1,435,432	-	-	1,435,432
Culture and recreation	391,960	-	-	391,960
Conservation and development	77,709	-	10,450	88,159
Miscellaneous	205,207	-	14,558	219,765
Debt service:				
Principal	-	485,000	-	485,000
Interest	16,771	80,038	-	96,809
Total expenditures	<u>12,087,891</u>	<u>565,788</u>	<u>1,849,838</u>	<u>14,503,517</u>
Excess (deficiency) of revenues over expenditures	<u>1,250,936</u>	<u>(45,428)</u>	<u>(153,494)</u>	<u>1,052,014</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	146,693	146,693
Transfers out	(146,693)	-	-	(146,693)
Total other financing sources (uses)	<u>(146,693)</u>	<u>-</u>	<u>146,693</u>	<u>-</u>
Net change in fund balances	1,104,243	(45,428)	(6,801)	1,052,014
Fund balances—beginning	<u>3,258,712</u>	<u>1,638,918</u>	<u>1,149,864</u>	<u>6,047,494</u>
Fund balances—ending	<u>\$ 4,362,955</u>	<u>\$ 1,593,490</u>	<u>\$ 1,143,063</u>	<u>\$ 7,099,508</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, 2014**

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Amounts reported for governmental activities in the statement of activities (page 13) are different because:

Net change in fund balances—total governmental funds (page 16) \$ 1,052,014

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.

Capital asset additions	\$ 351,303	
Loss on disposal of capital assets	(9,860)	
Depreciation expense	(406,877)	(65,434)

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. (23,598)

In the statement of activities, interest expense is recognized as it accrues, regardless of when it is paid. 3,031

The issuance of long-term debt 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. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. 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:

Repayment of general obligation bonds	\$ 485,000	
Change in other post-employment benefits obligation	(217,595)	
Change in judgments and claims	(51,202)	216,203

Change in net position of governmental activities \$ 1,182,216

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, 2014**

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	<b>Pension Trust Fund</b>	<b>Private Purpose Fund</b>	<b>Agency Fund</b>
<b>ASSETS</b>			
Restricted cash and cash equivalents	\$ 183,337	\$ 2,611,962	\$ 1,122,992
Investments	31,524,042	-	-
Receivables	237,853	4,087	-
Total assets	<u>\$ 31,945,232</u>	<u>\$ 2,616,049</u>	<u>\$ 1,122,992</u>
<b>LIABILITIES</b>			
Temporary withholding liabilities	\$ 999	\$ -	\$ 1,122,992
Total liabilities	<u>999</u>	<u>-</u>	<u>\$ 1,122,992</u>
<b>NET POSITION</b>			
Held in trust for pension benefits and other purposes	<u>\$ 31,944,233</u>	<u>\$ 2,616,049</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, 2014**

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	<u>Pension Trust Fund</u>	<u>Private Purpose Fund</u>
<b>ADDITIONS</b>		
Contributions:		
Employee contributions	\$ 619,927	\$ -
County contributions	246,976	-
Other contributions	-	27,389
Total contributions	<u>866,903</u>	<u>27,389</u>
Investment income:		
Net gain in fair value	926,771	125,830
Interest	381,219	51,831
Dividends	399,268	-
Miscellaneous	178,686	-
Less: investment expense	(135,049)	-
Total investment income	<u>1,750,895</u>	<u>177,661</u>
<b>DEDUCTIONS</b>		
Benefits and refunds paid to plan members and beneficiaries	(1,652,819)	(110,432)
Administrative expenses	(17,350)	(21,775)
Other deductions	-	(317)
Total deductions	<u>(1,670,169)</u>	<u>(132,524)</u>
Net change in net position	947,629	72,526
Net position—beginning	<u>30,996,604</u>	<u>2,543,523</u>
Net position—ending	<u>\$ 31,944,233</u>	<u>\$ 2,616,049</u>

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, 2014**

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**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 County and its component units, entities for which the government is considered to be financially accountable. 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 County.

***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 65 apartment personal care 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, 2014.

*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 discussed earlier, the County has two discretely presented component units. The Rouse Estate and the Warren Library Association are considered to be major component units and are presented in separate columns in 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.

The County reports the following major governmental funds:

- *General Fund*—The General Fund constitutes the primary operating fund of the County and includes all operations not required to be recorded in other funds. The principal source of revenue for the General Fund is taxes.
- *Debt Service Fund*—The Debt Service 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*—These funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. Trust funds account for resources received and disbursements made in accordance with trust agreements or applicable legislative enactments for each particular fund. Fiduciary funds include the *Pension Trust Fund*, *Private Purpose Fund*, and *Agency Fund*. The Pension Trust 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. The Private Purpose Fund is used to account for resources legally held in trust for use by the County devoted for specific purposes. The Agency 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 of availability. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements are met and the amount is received during the period of availability. 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.

***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 reports investments of \$31,524,042 within the Pension Trust Fund at December 31, 2014; it is County policy to record investments 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, buildings and improvements, E-911 communication system, and machinery and equipment are reported 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.

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>Capital Asset</u>	<u>Estimated Useful Life (Years)</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, 2014, 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, 2014, the County does not have any items that 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 fiscal 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 2014, 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. At December 31, 2014, the County does not have any items that qualify for reporting in this category.

**Pensions**—Nearly all County employees are members of the County's single-employer defined benefit pension plan. The County is makes contributions on an annual basis at an actuarially determined rate.

#### **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, 2014, the County implemented GASB Statements No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*, except for certain related note disclosures, No. 69, *Government Combinations and Disposals of Government Operations*, and No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of GASB Statement No. 67 is to improve financial reporting by state and local governmental pension plans. This Statement replaces GASB Statement No. 25 and Statement No. 50. The objective of GASB Statement No. 69 is to establish accounting and financial reporting standards related to government combinations and disposals of government operations. The objective of GASB Statement No. 70 is to improve financial reporting by state and local governments that extend and receive nonexchange financial guarantees. GASB Statements No. 67, 69, and 70 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. 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, No. 72, *Fair Value Measurement and Application*, No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Government*, and No. 77, *Tax Abatement Disclosures*, effective for the year ending December 31, 2016, No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, effective for the year ending December 31, 2017, and No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for the year ending December 31, 2018. The County is, therefore, unable to disclose the impact that adopting GASB Statements No. 68, 71, 72, 73, 74, 75, 76 and 77 will have on its financial position and results of operations when such statements are adopted.

*Stewardship, Compliance and Accountability*

*Legal Compliance—Budgets*

**Budgets and Budgetary Accounting**—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, 2014.
- 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.

**2. CASH AND CASH EQUIVALENTS**

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, 2014 are shown below.

	Governmental Activities	Fiduciary Funds	Total
Cash and cash equivalents	\$ 4,573,541	\$ -	\$ 4,573,541
Restricted cash and cash equivalents	<u>1,795,578</u>	<u>3,918,291</u>	<u>5,713,869</u>
Total	<u>\$ 6,369,119</u>	<u>\$ 3,918,291</u>	<u>\$ 10,287,410</u>

**Deposits**—All deposits are carried at fair value and are classified by custodial credit risk at December 31, 2014 as follows:

	Bank Balance	Carrying Amount
FDIC insured	\$ 4,844,562	\$ 4,844,562
Uninsured:		
Collateral held by pledging bank's agent in the County's name	<u>5,774,688</u>	<u>5,442,848</u>
Total	<u>\$ 10,619,250</u>	<u>\$ 10,287,410</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, 2014, the County's deposits were FDIC insured or collateralized.

**Restricted Cash and Cash Equivalents**—The County reports restricted cash, totaling \$5,713,869, 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 \$1,556,502, \$239,076, and \$3,918,291, 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 institutions. 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, 2014, the Rouse Estate had \$3,190,103 in cash and cash equivalents, and \$318,109 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, 2014, the Association had \$371,131 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, 2014 was as follows:

	Pension Trust Fund	Rouse Estate	Warren Library Association
Short-term investments	\$ -	\$ 68,269	\$ 132,803
Fixed income	11,000,243	-	-
Mutual funds	3,996,360	972,993	3,717,865
Common stocks	16,527,439	348,940	-
Corporate stocks	-	456,946	-
Corporate bonds	-	184,523	-
Total	<u>\$ 31,524,042</u>	<u>\$ 2,031,671</u>	<u>\$ 3,850,668</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, 2014, 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, 2014 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. Receivables at December 31, 2014 are presented below.

Governmental funds:	
General Fund	\$ 731,463
Nonmajor governmental funds:	
Liquid Fuels Fund	4,984
DUI Program Fund	12,008
Prothonotary Automation Fund	1,031
Small Communities Fund	901
Warren E-911 Fund	127,063
Domestic Relations Fund	<u>108,953</u>
Total governmental funds	<u>\$ 986,403</u>
Fiduciary funds:	
Pension Trust Fund	\$ 237,853
Private Purpose Fund	<u>4,087</u>
Total fiduciary funds	<u>\$ 241,940</u>

#### Discretely Presented Component Unit

*Rouse Estate*—Significant receivables comprise of amounts due from residents. Resident accounts receivable of the County's component unit, the Rouse Estate, totaled \$1,585,654, net of an allowance for doubtful accounts equal to the estimated uncollectable amounts. The Estate's estimate of uncollectable amounts is based on historical collection experience and a review of the current status of accounts receivable.

## 5. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2014 was as follows:

	Balance 1/1/2014	Increases	Decreases	Balance 12/31/2014
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	207,578	10,000	-	217,578
Buildings and improvements	9,308,422	43,400	-	9,351,822
E-911 communication system	1,690,754	-	-	1,690,754
Machinery and equipment	<u>5,048,533</u>	<u>297,903</u>	<u>(185,327)</u>	<u>5,161,109</u>
Total capital assets, being depreciated	<u>16,255,287</u>	<u>351,303</u>	<u>(185,327)</u>	<u>16,421,263</u>
Less accumulated depreciation for:				
Land improvements	(165,264)	(14,505)	-	(179,769)
Buildings and improvements	(4,620,864)	(233,796)	-	(4,854,660)
E-911 communication system	(291,672)	(42,269)	-	(333,941)
Machinery and equipment	<u>(4,800,611)</u>	<u>(116,307)</u>	<u>175,467</u>	<u>(4,741,451)</u>
Total accumulated depreciation	<u>(9,878,411)</u>	<u>(406,877)</u>	<u>175,467</u>	<u>(10,109,821)</u>
Total capital assets being depreciated, net	<u>6,376,876</u>	<u>(55,574)</u>	<u>(9,860)</u>	<u>6,311,442</u>
Governmental activities capital assets, net	<u>\$ 6,649,110</u>	<u>\$ (55,574)</u>	<u>\$ (9,860)</u>	<u>\$ 6,583,676</u>

Depreciation expense was charged to the functions and programs of the governmental activities as follows:

Governmental activities:	
General government	\$ 188,980
Public safety	114,170
Public works	20,056
Human services	55,215
Culture and recreation	12,596
Conservation and development	<u>15,860</u>
Total	<u>\$ 406,877</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, 2014, the Nursing home reported net property, facility, and equipment totaling \$7,480,632.

**6. ACCRUED LIABILITIES**

Accrued liabilities reported by governmental funds at December 31, 2014 were as follows:

	General Fund
Salary and employee benefits	\$ 86,456

**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 six percent (6%) or seven percent (7%) of their annual covered salary based upon employee class. 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, 2014, the most recent valuation date, is presented as follows:

Pension benefit obligation:	
Accumulated plan benefits	\$ 5,553,436
Terminated vested benefits	691,163
Retired benefits	13,711,426
Member accumulated deductions	9,174,526
Total liabilities of the Warren County Employees' Retirement Fund	\$ 29,130,551
Net assets available for benefits, at cost (fair value \$31,944,233)	\$ 29,130,551

The pension benefit obligation was determined as part of an actuarial valuation at January 1, 2015. 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 2014, 2013, 2012, 2011, and 2010, respectively, available assets were sufficient to fund 109.66%, 109.36%, 97.88%, 94.12%, and 100.48%, of the pension benefit obligation.

The certified annual County appropriation for 2014 for the Warren County Employee's Retirement System was determined to be \$246,976. Employee contributions amounted to \$619,927 for the year ended December 31, 2014. 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
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	-
2014	29,130,551	31,944,233	109.66%	29,130,551	-

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, 2014 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, 2014.

**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,	
	2014	2013
Annual required contribution ("ARC")	\$ 603,484	\$ 742,324
Interest on net OPEB obligation	78,187	58,564
Adjustment to ARC	<u>(147,963)</u>	<u>(107,998)</u>
Annual OPEB cost (expense)	533,708	692,890
Contributions made	<u>(316,113)</u>	<u>(301,059)</u>
Increase in net OPEB obligation	217,595	391,831
Net OPEB obligation - beginning	<u>1,563,730</u>	<u>1,171,899</u>
Net OPEB obligation - ending	<u>\$ 1,781,325</u>	<u>\$ 1,563,730</u>

**Funding Status and Funding Progress**—As of December 31, 2014, calculations were based on plan data as of January 1, 2014 and financial data as of December 31, 2014. The actuarial accrued liability for benefits was \$5,650,980, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$6,680,925, and the unfunded actuarial accrued liability as a percentage of covered payroll was 84.6%.

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 on the following page.

Year Ended December 31,	Annual Required Contribution	Contributions Made	Percentage Contributed
2014	\$ 603,484	\$ 316,113	52.4%
2013	742,324	301,059	40.6%
2012	742,324	546,154	73.6%

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 January 1, 2014 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a valuation date of January 1, 2014 and measurement date of December 31, 2014. 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, 2014 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 insurance to cover such potential risks. For the year ended December 31, 2014, general liability insurance is limited to \$5 million per occurrence, automobile liability insurance is limited to \$5 million per accident, public officials liability insurance is limited to \$5 million per occurrence and aggregate, cyber liability is limited to \$1 million aggregate per member, property insurance is limited to a total insured value of \$500 million, equipment breakdown insurance is limited to \$100 million, and crime insurance is limited to \$1 million per occurrence. There have not been any settlements which have exceeded insurance coverage in the past three fiscal years.

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 the 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 \$192,637 of incurred but not recorded health claims for the year ended December 31, 2014.

**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, 2014.

The following is a summary of the County’s short-term debt for the year ended December 31, 2014:

Description:	Interest Rate	Maturity Date	Balance 1/1/2014	Issued	Paid	Balance 12/31/2014
Tax anticipation note	1.08%	12/31/2014	\$ -	\$ 4,000,000	\$ 4,000,000	\$ -

**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 general obligation bonds, other post-employment benefits (“OPEB”) 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, 2014 follows:

	Balance 1/1/2014	Additions	Reductions	Balance 12/31/2014	Due Within One Year
General obligation bonds	\$ 4,230,000	\$ -	\$ 485,000	\$ 3,745,000	\$ 490,000
OPEB obligation	1,563,730	533,708	316,113	1,781,325	-
Judgments and claims	141,435	192,637	141,435	192,637	192,637
Total	\$ 5,935,165	\$ 726,345	\$ 942,548	\$ 5,718,962	\$ 682,637

**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, 2014 is \$3,745,000. 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.

**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 \$1,781,325 at December 31, 2014.

**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 insurance 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 \$192,637 of incurred but not recorded health claims for the year ended December 31, 2014.

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

Year Ending December 31,	General Obligation Bonds	OPEB Obligation	Judgments and Claims	Total
2015	\$ 490,000	\$ -	\$ 192,637	\$ 682,637
2016	500,000	-	-	500,000
2017	1,030,000	-	-	1,030,000
2018	1,050,000	-	-	1,050,000
2019	675,000	-	-	675,000
2020-thereafter	-	1,781,325	-	1,781,325
	<u>\$ 3,745,000</u>	<u>\$ 1,781,325</u>	<u>\$ 192,637</u>	<u>\$ 5,718,962</u>

Interest requirements on general obligation bonds payable are as follows:

Year ending December 31,	Interest
2015	\$ 73,975
2016	67,238
2017	59,113
2018	38,513
2019	16,200
	<u>\$ 255,039</u>

**Discretely Presented Component Unit**

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

A summary of changes in the Rouse Estate’s long-term debt at December 31, 2014 follows:

	Balance 1/1/2014	Additions	Reductions	Balance 12/31/2014	Due Within One Year
General obligation bonds	\$ 1,530,000	\$ -	\$ 505,000	\$ 1,025,000	\$ 510,000
Loans payable	200,776	100,000	46,062	254,714	40,538
Revenue note payable	4,291,140	-	96,581	4,194,559	163,815
Total	<u>\$ 6,021,916</u>	<u>\$ 100,000</u>	<u>\$ 647,643</u>	<u>\$ 5,474,273</u>	<u>\$ 714,353</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, 2014 is \$1,025,000. 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 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, 2014 is \$254,714.

**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 was completely drawn down as of December 31, 2014. 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, 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	\$ 6,583,676
Less: related debt	
Bonds payable	(3,745,000)
Deferred charge on refunding	108,158
Net investment in capital assets	<u>\$ 2,946,834</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 \$2,002,645 is restricted for debt reduction, E-911 operations and Special Purpose Funds’ operations in the amounts of \$1,556,502, \$354,350 and \$91,793, 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, 2014 includes prepaid items as described below.

- **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 \$68,420 and \$36,988, 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. At December 31, 2014 the County reported the following restricted fund balances:

	Debt Reduction	E-911 Operations	Special Purpose	Total Restricted
Debt Service Fund	\$ 1,556,502	\$ -	\$ -	\$ 1,556,502
E-911 Fund	-	354,350	-	354,350
Housing Trust Fund	-	-	80,602	80,602
Juvenile Probation Fund	-	-	11,135	11,135
Northwest Home Rehab Fund	-	-	56	56
Total	<u>\$ 1,556,502</u>	<u>\$ 354,350</u>	<u>\$ 91,793</u>	<u>\$ 2,002,645</u>

- **Debt Reduction**—Represents \$1,556,502 restricted for the reduction of future debt service requirements.
- **E-911 Operations**—Represents \$354,350 restricted for costs associated with the operations of the County’s E-911 Fund.
- **Special Purpose**—Represents \$91,793 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, 2014, the County has no committed fund balance.

The County Commissioners authorizes the fiscal director to make a determination of the assigned amounts of fund balance. Assigned funds represent amounts intended to be used for a specific purpose. At December 31, 2014, the County reported the following fund balance assignments:

	Health Insurance	Specific Use	Total Assigned
General Fund	\$ 738,954	\$ -	\$ 738,954
Liquid Fuels Fund	-	25,317	25,317
DUI Program Fund	-	76,094	76,094
Prothonotary Automation Fund	-	12,889	12,889
Records Improvement Fund	-	210,973	210,973
Small Communities Fund	-	3,641	3,641
Hazardous Materials Fund	-	36,323	36,323
Domestic Relations Fund	-	318,655	318,655
Orphan Court Fund	-	13,028	13,028
Total	<u>\$ 738,954</u>	<u>\$ 696,920</u>	<u>\$ 1,435,874</u>

- **Assigned for Health Insurance**—Represents available fund balance for potential future payment of health insurance costs.
- **Assigned for 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 fiscal 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. As of December 31, 2014, the County has no outstanding balances between funds resulting from payments made on behalf of other funds or temporary advances.

The County made the following transfers during the year ended December 31, 2014:

Fund	Transfers in: Nonmajor Governmental Funds
Transfers out:	
General Fund	<u>\$ 146,693</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, 2014 and 2013 is presented below:

	<u>Balance</u> <u>12/31/2014</u>	<u>Balance</u> <u>12/31/2013</u>
<b>ASSETS</b>		
Restricted cash and cash equivalents	<u>\$ 1,122,992</u>	<u>\$ 1,344,092</u>
<b>LIABILITIES</b>		
Temporary withholdings liabilities	<u>\$ 1,122,992</u>	<u>\$ 1,344,092</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, 2017.

**17. CONTINGENCIES**

*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 28, 2015, 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 2, 2015, the County issued \$3,500,000 of tax anticipation notes with an interest rate at 32 percent (32%) of PNC Bank National Association Prime Rate, not to exceed three percent (3%). These notes mature on December 31, 2015.

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## REQUIRED SUPPLEMENTARY INFORMATION



**COUNTY OF WARREN, PENNSYLVANIA**  
**Schedule of Funding Progress—Other Post-Employment Benefits Plan**  
**Year Ended December 31, 2014**

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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 January 1, 2014	\$ -	\$ 5,650,980	\$ 5,650,980	-	\$ 6,680,925	84.6%
As of January 1, 2012	-	6,934,382	6,934,382	-	6,418,659	108.0%
As of January 1, 2010	-	7,191,410	7,191,410	-	7,197,146	99.9%

**COUNTY OF WARREN, PENNSYLVANIA**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances—**  
**Budget and Actual—General Fund**  
**Year Ended December 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes	\$ 9,140,700	\$ 9,140,700	\$ 9,044,191	\$ (96,509)
Licenses and permits	17,150	17,150	19,678	2,528
Intergovernmental	2,169,410	2,169,410	1,827,978	(341,432)
Charges for services	1,573,650	1,573,650	2,022,739	449,089
Fines and forfeits	75,500	75,500	113,039	37,539
Interest/investment income	5,450	5,450	2,710	(2,740)
Miscellaneous	116,600	116,600	308,492	191,892
Total revenues	<u>13,098,460</u>	<u>13,098,460</u>	<u>13,338,827</u>	<u>240,367</u>
<b>EXPENDITURES</b>				
Current:				
General government	5,486,404	5,486,404	5,524,460	(38,056)
Public safety	4,602,931	4,602,931	4,436,352	166,579
Human services	2,094,740	2,094,740	1,435,432	659,308
Culture and recreation	231,000	231,000	391,960	(160,960)
Conservation and development	80,171	80,171	77,709	2,462
Miscellaneous	342,122	342,122	205,207	136,915
Debt service:				
Interest	35,000	35,000	16,771	18,229
Total expenditures	<u>12,872,368</u>	<u>12,872,368</u>	<u>12,087,891</u>	<u>784,477</u>
Excess of revenues over expenditures	<u>226,092</u>	<u>226,092</u>	<u>1,250,936</u>	<u>1,024,844</u>
<b>OTHER FINANCING USES</b>				
Transfers out	(111,500)	(111,500)	(146,693)	(35,193)
Total other financing uses	<u>(111,500)</u>	<u>(111,500)</u>	<u>(146,693)</u>	<u>(35,193)</u>
Net change in fund balances	114,592	114,592	1,104,243	989,651
Fund balances—beginning	<u>3,258,712</u>	<u>3,258,712</u>	<u>3,258,712</u>	<u>-</u>
Fund balances—ending	<u>\$ 3,373,304</u>	<u>\$ 3,373,304</u>	<u>\$ 4,362,955</u>	<u>\$ 989,651</u>

The note to the required supplementary information is an integral part of this schedule.

**COUNTY OF WARREN, PENNSYLVANIA**  
**Note to the Required Supplementary Information**  
**Year Ended December 31, 2014**

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**1. 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.

Appropriations in all budgeted funds lapse at the end of the fiscal year.

***Excess of Expenditures over Appropriations***—For the year ended December 31, 2014, unfavorable variances existed in the County's General Fund appropriations. The General Fund has unfavorable variances of \$38,056 within General Government, \$160,960 within Culture and Recreation, and \$35,193 within Transfers Out. These unfavorable variances were the result of unanticipated computer and information technology 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, 2014.

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## SUPPLEMENTARY INFORMATION



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**COUNTY OF WARREN, PENNSYLVANIA**  
**Combining Balance Sheet—Nonmajor Governmental Funds**  
**December 31, 2014**

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	<u>Special Revenue</u>		<u>Total Nonmajor Funds</u>
	<u>Other Governmental</u>	<u>Special Purpose</u>	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 575,006	\$ 91,793	\$ 666,799
Restricted cash and cash equivalents	239,076	-	239,076
Receivables	254,940	-	254,940
Total assets	<u>\$ 1,069,022</u>	<u>\$ 91,793</u>	<u>\$ 1,160,815</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 17,752	\$ -	\$ 17,752
Total liabilities	<u>17,752</u>	<u>-</u>	<u>17,752</u>
<b>FUND BALANCES</b>			
Restricted	354,350	91,793	446,143
Assigned	696,920	-	696,920
Total fund balances	<u>1,051,270</u>	<u>91,793</u>	<u>1,143,063</u>
Total liabilities and fund balances	<u>\$ 1,069,022</u>	<u>\$ 91,793</u>	<u>\$ 1,160,815</u>

**COUNTY OF WARREN, PENNSYLVANIA**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances—**  
**Nonmajor Governmental Funds**  
**Year Ended December 31, 2014**

	<u>Special Revenue</u>		<u>Total Nonmajor Funds</u>
	<u>Other Governmental</u>	<u>Special Purpose</u>	
<b>REVENUES</b>			
Intergovernmental	\$ 1,104,651	\$ -	\$ 1,104,651
Charges for services	582,375	984	583,359
Interest/investment income	3,029	2	3,031
Miscellaneous	5,175	128	5,303
Total revenues	<u>1,695,230</u>	<u>1,114</u>	<u>1,696,344</u>
<b>EXPENDITURES</b>			
Current:			
General government	470,599	-	470,599
Public safety	1,154,976	1,300	1,156,276
Public works	197,955	-	197,955
Conservation and development	-	10,450	10,450
Miscellaneous	11,073	3,485	14,558
Total expenditures	<u>1,834,603</u>	<u>15,235</u>	<u>1,849,838</u>
Excess (deficiency) of revenues over expenditures	<u>(139,373)</u>	<u>(14,121)</u>	<u>(153,494)</u>
<b>OTHER FINANCING SOURCES</b>			
Transfers in	120,853	25,840	146,693
Total other financing sources	<u>120,853</u>	<u>25,840</u>	<u>146,693</u>
Net change in fund balances	(18,520)	11,719	(6,801)
Fund balances—beginning	1,069,790	80,074	1,149,864
Fund balances—ending	<u>\$ 1,051,270</u>	<u>\$ 91,793</u>	<u>\$ 1,143,063</u>

**COUNTY OF WARREN, PENNSYLVANIA**  
**Combining Balance Sheet—Special Revenue (Other Governmental) Funds**  
**December 31, 2014**

	<u>Liquid Fuels</u>	<u>DUI Program</u>	<u>Prothonotary Automation</u>	<u>Records Improvement</u>	<u>Small Communities</u>	<u>Hazardous Materials</u>	<u>Warren E-911</u>	<u>Domestic Relations</u>	<u>Orphan Court</u>	<u>Total Other Governmental</u>
<b>ASSETS</b>										
Cash and cash equivalents	\$ 20,333	\$ 65,852	\$ 12,889	\$ 210,973	\$ 2,740	\$ 39,489	\$ -	\$ 209,702	\$ 13,028	\$ 575,006
Restricted cash and cash equivalents	-	-	-	-	-	-	239,076	-	-	239,076
Receivables	4,984	12,008	1,031	-	901	-	127,063	108,953	-	254,940
Total assets	<u>\$ 25,317</u>	<u>\$ 77,860</u>	<u>\$ 13,920</u>	<u>\$ 210,973</u>	<u>\$ 3,641</u>	<u>\$ 39,489</u>	<u>\$ 366,139</u>	<u>\$ 318,655</u>	<u>\$ 13,028</u>	<u>\$ 1,069,022</u>
<b>LIABILITIES</b>										
Accounts payable	\$ -	\$ 1,766	\$ 1,031	\$ -	\$ -	\$ 3,166	\$ 11,789	\$ -	\$ -	\$ 17,752
Total liabilities	-	<u>1,766</u>	<u>1,031</u>	-	-	<u>3,166</u>	<u>11,789</u>	-	-	<u>17,752</u>
<b>FUND BALANCES</b>										
Restricted	-	-	-	-	-	-	354,350	-	-	354,350
Assigned	25,317	76,094	12,889	210,973	3,641	36,323	-	318,655	13,028	696,920
Total fund balances	<u>25,317</u>	<u>76,094</u>	<u>12,889</u>	<u>210,973</u>	<u>3,641</u>	<u>36,323</u>	<u>354,350</u>	<u>318,655</u>	<u>13,028</u>	<u>1,051,270</u>
Total liabilities and fund balances	<u>\$ 25,317</u>	<u>\$ 77,860</u>	<u>\$ 13,920</u>	<u>\$ 210,973</u>	<u>\$ 3,641</u>	<u>\$ 39,489</u>	<u>\$ 366,139</u>	<u>\$ 318,655</u>	<u>\$ 13,028</u>	<u>\$ 1,069,022</u>

**COUNTY OF WARREN, PENNSYLVANIA**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances—**  
**Special Revenue (Other Governmental) Funds**  
**Year Ended December 31, 2014**

	<u>Liquid Fuels</u>	<u>DUI Program</u>	<u>Protho- nary Auto- mation</u>	<u>Records Improvement</u>	<u>Small Comm- unities</u>	<u>Hazard- ous Materials</u>	<u>Warren E-911</u>	<u>Domestic Relations</u>	<u>Orphan Court</u>	<u>Total Other Governmental</u>
<b>REVENUES</b>										
Intergovernmental	\$ 183,314	\$ -	\$ -	\$ -	\$ 319,596	\$ 10,223	\$ 305,797	\$ 285,721	\$ -	\$ 1,104,651
Charges for services	-	133,482	-	-	-	64,006	304,869	80,018	-	582,375
Interest/investment income	10	15	589	683	-	-	751	-	981	3,029
Miscellaneous	-	5,175	-	-	-	-	-	-	-	5,175
Total revenues	<u>183,324</u>	<u>138,672</u>	<u>589</u>	<u>683</u>	<u>319,596</u>	<u>74,229</u>	<u>611,417</u>	<u>365,739</u>	<u>981</u>	<u>1,695,230</u>
<b>EXPENDITURES</b>										
Current:										
General government	-	-	20,434	-	-	-	-	450,165	-	470,599
Public safety	-	119,309	-	-	318,693	53,569	663,405	-	-	1,154,976
Public works	197,955	-	-	-	-	-	-	-	-	197,955
Miscellaneous	-	-	-	3,290	-	7,783	-	-	-	11,073
Total expenditures	<u>197,955</u>	<u>119,309</u>	<u>20,434</u>	<u>3,290</u>	<u>318,693</u>	<u>61,352</u>	<u>663,405</u>	<u>450,165</u>	<u>-</u>	<u>1,834,603</u>
Excess (deficiency) of revenues over expenditures	<u>(14,631)</u>	<u>19,363</u>	<u>(19,845)</u>	<u>(2,607)</u>	<u>903</u>	<u>12,877</u>	<u>(51,988)</u>	<u>(84,426)</u>	<u>981</u>	<u>(139,373)</u>
<b>OTHER FINANCING SOURCES</b>										
Transfers in	-	-	18,099	20,554	-	-	-	82,200	-	120,853
Total other financing sources	-	-	<u>18,099</u>	<u>20,554</u>	-	-	-	<u>82,200</u>	-	<u>120,853</u>
Net change in fund balances	<u>(14,631)</u>	<u>19,363</u>	<u>(1,746)</u>	<u>17,947</u>	<u>903</u>	<u>12,877</u>	<u>(51,988)</u>	<u>(2,226)</u>	<u>981</u>	<u>(18,520)</u>
Fund balances—beginning	<u>39,948</u>	<u>56,731</u>	<u>14,635</u>	<u>193,026</u>	<u>2,738</u>	<u>23,446</u>	<u>406,338</u>	<u>320,881</u>	<u>12,047</u>	<u>1,069,790</u>
Fund balances—ending	<u>\$ 25,317</u>	<u>\$ 76,094</u>	<u>\$ 12,889</u>	<u>\$ 210,973</u>	<u>\$ 3,641</u>	<u>\$ 36,323</u>	<u>\$ 354,350</u>	<u>\$ 318,655</u>	<u>\$ 13,028</u>	<u>\$ 1,051,270</u>

**COUNTY OF WARREN, PENNSYLVANIA**  
**Combining Balance Sheet—Special Revenue (Special Purpose) Funds**  
**December 31, 2014**

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	<u>Housing Trust</u>	<u>Juvenile Probation</u>	<u>Northwest Home Rehab</u>	<u>Total Special Purpose</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 80,602	\$ 11,135	\$ 56	\$ 91,793
Total assets	<u>\$ 80,602</u>	<u>\$ 11,135</u>	<u>\$ 56</u>	<u>\$ 91,793</u>
<b>FUND BALANCES</b>				
Restricted	\$ 80,602	\$ 11,135	\$ 56	\$ 91,793
Total fund balances	<u>\$ 80,602</u>	<u>\$ 11,135</u>	<u>\$ 56</u>	<u>\$ 91,793</u>

**COUNTY OF WARREN, PENNSYLVANIA**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances—**  
**Special Revenue (Special Purpose) Funds**  
**Year Ended December 31, 2014**

	<u>Housing Trust</u>	<u>Juvenile Probation</u>	<u>Northwest Home Rehab</u>	<u>Total Special Purpose</u>
<b>REVENUES</b>				
Charges for services	\$ -	\$ 984	\$ -	\$ 984
Interest/investment income	-	2	-	2
Miscellaneous	-	128	-	128
Total revenues	<u>-</u>	<u>1,114</u>	<u>-</u>	<u>1,114</u>
<b>EXPENDITURES</b>				
Current:				
Public safety	-	1,300	-	1,300
Conservation and development	10,450	-	-	10,450
Miscellaneous	3,485	-	-	3,485
Total expenditures	<u>13,935</u>	<u>1,300</u>	<u>-</u>	<u>15,235</u>
Deficiency of revenues under expenditures	<u>(13,935)</u>	<u>(186)</u>	<u>-</u>	<u>(14,121)</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	<u>25,840</u>	<u>-</u>	<u>-</u>	<u>25,840</u>
Total other financing sources	<u>25,840</u>	<u>-</u>	<u>-</u>	<u>25,840</u>
Net change in fund balances	11,905	(186)	-	11,719
Fund balances—beginning	<u>68,697</u>	<u>11,321</u>	<u>56</u>	<u>80,074</u>
Fund balances—ending	<u>\$ 80,602</u>	<u>\$ 11,135</u>	<u>\$ 56</u>	<u>\$ 91,793</u>

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## FEDERAL AWARDS INFORMATION



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**COUNTY OF WARREN, PENNSYLVANIA**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2014**

<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>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through Pennsylvania Department of Agriculture:			
Emergency Food Assistance Program (Food Commodities)	10.569	1702563215	\$ 12,064
Passed through Pennsylvania Department of Conservation and Natural Resources:			
Cooperative Forestry Assistance	10.664	N/A	14,968
Schools and Roads - Grants to States	10.665	1903317851	<u>698,645</u>
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<u>725,677</u>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
Passed through Pennsylvania Department of Community and Economic Development:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	1702554643	312,802
Emergency Solutions Grant Program	14.231	2208608282	<u>85,539</u>
<b>TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			<u>398,341</u>
<b>U.S. DEPARTMENT OF THE INTERIOR</b>			
Direct Program:			
Payments in Lieu of Taxes	15.226	1903432984	<u>33,967</u>
<b>TOTAL U.S. DEPARTMENT THE INTERIOR</b>			<u>33,967</u>
<b>U.S. DEPARTMENT OF JUSTICE</b>			
Passed through Pennsylvania Department of Executive Offices:			
Juvenile Accountability Block Grants	16.523	2208499811	<u>8,816</u>
<b>TOTAL U.S. DEPARTMENT OF JUSTICE</b>			<u>8,816</u>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
Passed through Pennsylvania Department of Transportation:			
Highway Planning and Construction	20.205	1702552102	28,657
Alcohol Impaired Driving Countermeasures Incentives Grants	20.601	2208626991	14,996
Passed through Pennsylvania Emergency Management Agency:			
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	1903433622	<u>5,744</u>
<b>TOTAL U.S. DEPARTMENT OF TRANSPORTATION</b>			<u>49,397</u>
<b>U.S. GENERAL SERVICES ADMINISTRATION</b>			
Passed through Pennsylvania Department of General Services:			
Donation of Federal Surplus Personal Property	39.003	1702552677	<u>403</u>
<b>TOTAL U.S. GENERAL SERVICES ADMINISTRATION</b>			<u>403</u>

(continued)

**COUNTY OF WARREN, PENNSYLVANIA**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2014**

(concluded)

**U.S. DEPARTMENT OF EDUCATION**

Passed through Pennsylvania Department of Public Welfare:

Special Education - Grants for Infants and Families	84.181	1903456599	61,530
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<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			61,530
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**U.S. ELECTION ASSISTANCE COMMISSION**

Passed through Pennsylvania Department of the State:

Help America Vote Mock Election Program	90.402	N/A	22,421
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<b>TOTAL U.S. ELECTION ASSISTANCE COMMISSION</b>			22,421
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**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES**

Direct Program:

Health Care and Other Facilities	93.887	N/A	55,220
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Passed through Pennsylvania Department of Public Welfare:

Guardianship Assistance	93.090	1903440871	10,104
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Projects for Asst. in Transition from Homelessness (PATH)	93.150	1903461279	31,578
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Promoting Safe and Stable Families	93.556	1903300653	3,343
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Temporary Assistance for Needy Families (TANF)	93.558	1903403004	20,359
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Child Support Enforcement	93.563	1903440812	271,256
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Stephanie Tubbs Jones Child Welfare Services Program	93.645	1903455326	28,441
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Foster Care - Title IV-E	93.658	1903439588	548,354
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Adoption Assistance	93.659	1903441293	201,068
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Social Services Block Grant	93.667	1903461279	99,274
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Chafee Foster Care Independence Program	93.674	1903442729	52,688
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Medical Assistance Program	93.778	1903458241	310,053
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Block Grants for Community Mental Health Services	93.958	1903461279	40,837
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Passed through Pennsylvania Department of Drug and Alcohol Programs:

Block Grants for Prevention and Treatment of Substance Abuse	93.959	1903459161	83,276
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<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			1,755,851
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**U.S. DEPARTMENT OF HOMELAND SECURITY**

Passed through Pennsylvania Emergency Management Agency:

Hazard Mitigation Grant Program (HMGP)	97.039	1903412885	13,000
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Emergency Management Performance Grants	97.042	1903434229	86,590
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Homeland Security Grant Program	97.067	1702527828	30,745
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<b>TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY</b>			130,335
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<b>TOTAL FEDERAL FINANCIAL ASSISTANCE (4)</b>			\$ 3,186,738
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The notes to the schedule of expenditures 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, 2014**

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**1. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the County of Warren, Pennsylvania (the "County") under programs of the federal government for the year ended December 31, 2014. The information in this Schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) 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:

- (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 provided federal awards to subrecipients as follows:

Program Title	CFDA Number	Amount
Emergency Food Assistance Program (Food Commodities)	10.569	\$ 12,064
Schools and Roads - Grants to States	10.665	698,645
Guardianship Assistance	93.090	10,104
Projects for Asst. in Transition from Homelessness (PATH)	93.150	31,578
Promoting Safe and Stable Families	93.556	3,343
Temporary Assistance for Needy Families (TANF)	93.558	20,359
Stephanie Tubbs Jones Child Welfare Services Program	93.645	28,441
Foster Care - Title IV-E	93.658	548,354
Adoption Assistance	93.659	201,068
Social Services Block Grant	93.667	99,274
Chafee Foster Care Independence Program	93.674	52,688
Medical Assistance Program	93.778	310,053
Health Care and Other Facilities	93.887	55,220
Block Grants for Community Mental Health Services	93.958	40,837
Block Grants for Prevention and Treatment of Substance Abuse	93.959	83,276

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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, 2014, 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 28, 2015. 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 with 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. 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.

### **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*.

### **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 entity'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.

*Drescher & Malochi LLP*

August 28, 2015

*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, 2014. The County's major federal programs are identified in the summary of auditors' 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, 2014. Our audit, as 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, 2014.

### *Other Matters*

The results of our auditing procedures disclosed an instance of noncompliance with the compliance requirements referred to above that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2014-001. Our opinion on each major federal program is not modified with respect to this matter.

The County's response to the noncompliance finding 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 compliance and, accordingly, we express no opinion on the response.

### **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.

*Drescher & Malachuk LLP*

August 28, 2015

**COUNTY OF WARREN, PENNSYLVANIA**  
**Schedule of Findings and Questioned Costs**  
**Year Ended December 31, 2014**

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**Part I. SUMMARY OF AUDITORS' RESULTS**

**Financial Statements:**

Type of auditors' report issued: Unmodified\*

\* (which report refers to other auditors and contains an emphasis of matter 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)? | _____ Yes | _____ <input checked="" type="checkbox"/> 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))? | _____ <input checked="" type="checkbox"/> Yes | _____ 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
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228
Medical Assistance Program	93.778

- |   |   |                   |  |
|---|---|-------------------|--|
| 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**

No findings noted.

## **Part III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION**

### **2014-001—93.778 Medical Assistance Program—Subrecipient Monitoring**

*Criteria*—Monitoring procedures in compliance with OMB Circular A-133 requirements should be performed for all recipients of funds passed-through the County. As Forest-Warren Human Services holds the responsibility for program decision making and utilizes federal funds to carry out the program, and they represent a subrecipient of the County.

*Condition or context*—During testing of the Medical Assistance Program, it was noted that monitoring surrounding during-the-award procedures and subrecipient audits was noncompliant with OMB Circular A-133 requirements. The County does not have monitoring activities in place to ensure that subrecipients have met the audit requirements of OMB Circular A-133.

*Cause*—The County lacks formal policies surrounding the monitoring of subrecipients. Current subrecipients monitoring and communication procedures are insufficient.

*Effect or Potential Effect*—Increased risk surrounding accuracy of the County's Schedule of Expenditures of Federal Awards ("SEFA") reporting as well as noncompliance with the OMB Circular A-133. Inaccurate SEFA reporting along with noncompliance with the OMB Circular A-133 could potentially result in the disallowance or withholding of future federal aid.

*Recommendation*—We recommend that the County adapt formal policies and perform subrecipient monitoring for all aid passed-down to subrecipients to ensure compliance with OMB Circular A-133 requirements.

*View of Responsible Officials and Corrective Action Plan*—Management intends to implement adequate subrecipient monitoring procedures in compliance with OMB Circular A-133 requirements.

**COUNTY OF WARREN, PENNSYLVANIA**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended December 31, 2014**

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No findings were reported.

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