

**COUNTY OF WARREN,
PENNSYLVANIA**

*Basic Financial Statements, Required
Supplementary Information and Supplementary
Information for the Year Ended December 31, 2016
and Independent Auditors' Report*

COUNTY OF WARREN, PENNSYLVANIA
Table of Contents
Year Ended December 31, 2016

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	4
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	13
Statement of Activities.....	14
Fund Financial Statements:	
Balance Sheet—Governmental Funds	15
Reconciliation of the Balance Sheet—Governmental Funds to the Government-wide Statement of Net Position.....	16
Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds.....	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds to the Government-wide Statement of Activities	18
Statement of Net Position—Fiduciary Funds	19
Statement of Changes in Net Position—Fiduciary Funds	20
Notes to the Financial Statements	21
Required Supplementary Information:	
Schedule of Funding Progress—Other Post-Employment Benefits Plan.....	51
Schedule of Changes in the County's Net Pension Liability (Asset) and Related Ratios—Employees' Retirement System.....	52
Schedule of County Contributions—Employees' Retirement System.....	54

(continued)

COUNTY OF WARREN, PENNSYLVANIA
Table of Contents
Year Ended December 31, 2016

(concluded)

Page

Required Supplementary Information (continued):

Schedule of Revenues, Expenditures, and Changes in Fund Balances—Budget and Actual—General Fund	56
Notes to the Required Supplementary Information	57

Supplementary Information:

Combining Balance Sheet—Nonmajor Governmental Funds.....	58
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances—Nonmajor Governmental Funds	59
Combining Balance Sheet—Special Revenue (Other Governmental) Funds	60
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit)—Special Revenue (Other Governmental) Funds	61
Combining Balance Sheet—Special Revenue (Special Purpose) Funds.....	62
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances—Special Revenue (Special Purpose) Funds	63

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, 2016, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our (1) unmodified audit opinion on the governmental activities, major funds, Rouse Estate (discretely presented component unit), and aggregate remaining fund information, and (2) qualified audit opinion on the Warren Library Association (discretely presented component unit).

Basis for Qualified Opinion on the Warren Library Association

We draw our attention to Note 1 of the financial statements which describes the basis of accounting of the County's discretely presented component unit, the Warren Library Association. The Warren Library Association's financial statements 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. The amount by which this departure would affect the assets/liabilities, net position, and revenues/expenses of the Warren Library Association has not been determined.

Qualified Opinion on the Warren Library Association

In our opinion, based on the report of the other auditors, except for the effects of the matter described in the Basis for Qualified Opinion paragraph on the Warren Library Association, a discretely presented component unit of the County, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Warren Library Association, a discretely presented component unit of the County, as of December 31, 2016, 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.

Unmodified Opinion on the Governmental Activities, Major Funds, Rouse Estate (discretely presented component unit), and Aggregate Remaining Fund Information

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, the Rouse Estate, a discretely presented component unit of the County, and the aggregate remaining fund information for the County, as of December 31, 2016, 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.

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, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other 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 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Supplementary Information, as listed in the table of contents is the responsibility of management and was 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 contented is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

 Duesch & Malhotra LLP

October 11, 2017

COUNTY OF WARREN, PENNSYLVANIA
Management's Discussion and Analysis
Year Ended December 31, 2016

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, 2016. This document should be read in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative. For comparative purposes, certain items from the prior year have been reclassified to conform with the current year presentation.

Financial Highlights

- The assets and deferred outflows of resources of the primary government exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$8,236,607 (*net position*). This consists of \$3,224,243 net investment in capital assets, \$2,241,892 restricted for specific purposes, and unrestricted net position of \$2,770,472.
- The County's primary government net position increased \$178,933 during the year ended December 31, 2016.
- At the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$7,037,343, an increase of \$226,364 in comparison with the prior year's fund balance of \$6,810,979. The County had unassigned fund balances of \$3,113,617; the remainder is not available for spending (nonspendable), subject to external restrictions (restricted), or intended to be used for a designated purpose (assigned).
- The General Fund reported a net decrease in fund balance this year of \$103,432. At December 31, 2016, *unassigned fund balance* for the General Fund was \$3,113,617, or 22.6 percent of total General Fund expenditures and transfers out. The \$3,113,617 is available for spending at the County's discretion and constitutes approximately 78.8 percent of the General Fund's total fund balance of \$3,948,798 at December 31, 2016.
- The County's bonded indebtedness decreased \$500,000 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. Nonfinancial factors, such as changes in the County's property tax base and the condition of the County's capital assets, should also be considered to assess the overall health of the County.

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, 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 13-14 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 15-18 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* reported 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 19-20 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 21-50 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, the County’s net pension liability/(asset), and the County’s budgetary comparison schedule for the General Fund. Required Supplementary Information and related notes to the Required Supplementary Information can be found on pages 51-57 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 58-63.

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 and deferred inflows of resources \$8,236,607 at the close of the fiscal year ended December 31, 2016, as compared to \$8,057,674 at the close of the fiscal year ended December 31, 2015.

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

Table 1—Condensed Statements of Net Position—Primary Government

	<u>Governmental Activities</u>	
	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
Current assets	\$ 7,756,832	\$ 7,240,458
Noncurrent assets	<u>5,918,281</u>	<u>6,221,450</u>
Total assets	<u>13,675,113</u>	<u>13,461,908</u>
Deferred outflows of resources	<u>1,642,109</u>	<u>2,100,190</u>
Current liabilities	749,045	463,098
Noncurrent liabilities	<u>5,926,504</u>	<u>6,857,618</u>
Total liabilities	<u>6,675,549</u>	<u>7,320,716</u>
Deferred inflows of resources	<u>405,066</u>	<u>183,708</u>
Net position:		
Net investment in capital assets	3,224,243	3,051,010
Restricted	2,241,892	1,965,432
Unrestricted	<u>2,770,472</u>	<u>3,041,232</u>
Total net position	<u>\$ 8,236,607</u>	<u>\$ 8,057,674</u>

A portion of the County's net position, \$3,224,243, 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, \$2,241,892, 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, \$2,770,472, is considered unrestricted and available to meet the County's ongoing obligations to citizens and creditors.

Table 2, as presented on the following page, shows the changes in net position for the years ended December 31, 2016 and December 31, 2015.

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

	Governmental Activities	
	Year Ended December 31,	
	2016	2015
Program revenues:		
Charges for services	\$ 2,685,774	\$ 2,647,095
Operating grants and contributions	3,561,284	3,066,521
General revenues	<u>10,010,994</u>	<u>9,764,423</u>
Total revenues	<u>16,258,052</u>	<u>15,478,039</u>
Program expenses	<u>16,079,119</u>	<u>16,352,459</u>
Change in net position	178,933	(874,420)
Net position—beginning	<u>8,057,674</u>	<u>8,932,094</u>
Net position—ending	<u>\$ 8,236,607</u>	<u>\$ 8,057,674</u>

A summary of sources of revenues for the years ended December 31, 2016 and December 31, 2015 is presented below in Table 3.

Table 3—Summary of Sources of Revenues—Primary Government

	Year Ended December 31,		Increase/(Decrease)	
	2016	2015	Dollars	Percent (%)
Charges for services	\$ 2,685,774	\$ 2,647,095	\$ 38,679	1.5
Operating grants and contributions	3,561,284	3,066,521	494,763	16.1
Taxes	9,716,289	9,368,656	347,633	3.7
Interest and investment income	11,422	11,020	402	3.6
Miscellaneous	42,462	182,860	(140,398)	(76.8)
Unrestricted aid	<u>240,821</u>	<u>201,887</u>	<u>38,934</u>	19.3
Total revenues	<u>\$ 16,258,052</u>	<u>\$ 15,478,039</u>	<u>\$ 780,013</u>	5.0

The County's most significant source of revenue for the primary government is taxes, which accounts for \$9,716,289, or 59.8 percent of total revenues for the year ended December 31, 2016, and \$9,368,656, or 60.5 percent of total revenues for the year ended December 31, 2015. The next largest source of revenue for the year ended December 31, 2016 was operating grants and contributions of \$3,561,284, or 21.9 percent of total revenues, comparable to \$3,066,521, or 19.8 percent of total revenues for the year ended December 31, 2015.

During the year ended December 31, 2016, overall revenues of the primary government increased 5.0 percent from the prior year, due primarily to increased operating grants and contributions revenue. Operating grants and contributions increased \$494,763 from the year ended December 31, 2015, primarily due to increases in State and Federal aid for public safety coupled with the implementation of Pennsylvania Act 12 of 2015, which changed the collection of E911 surcharges from charges for services to State aid.

A summary of program expenses for the years ended December 31, 2016 and December 31, 2015 is presented in Table 4 on the following page.

Table 4—Summary of Program Expenses—Primary Government

	Year Ended December 31,		Increase/(Decrease)	
	2016	2015	Dollars	Percent (%)
General government	\$ 5,563,658	\$ 6,021,874	\$ (458,216)	(7.6)
Public safety	7,299,194	6,955,633	343,561	4.9
Public works	202,592	222,418	(19,826)	(8.9)
Human services	1,761,593	1,716,222	45,371	2.6
Culture and recreation	383,824	405,767	(21,943)	(5.4)
Conservation and development	768,729	923,781	(155,052)	(16.8)
Interest and other fiscal charges	99,529	106,764	(7,235)	(6.8)
Total program expenses	<u>\$ 16,079,119</u>	<u>\$ 16,352,459</u>	<u>\$ (273,340)</u>	(1.7)

The County's significant expense items for the year ended December 31, 2016 were public safety of \$7,299,194, or 45.4 percent of total expenses, and general government of \$5,563,658, or 34.6 percent of total expenses. Similarly, for the year ended December 31, 2015 significant expenses were public safety of \$6,955,633, or 42.5 percent of total expenses, and general government of \$6,021,874, or 36.8 percent of total expenses.

During the year ended December 31, 2016, total program expenses decreased 1.7 percent from the prior year, due primarily to pension activity and changes in the judgment and claims liability coupled with decreased conservation and development expenses. The pension activity and changes in the judgment and claims liability are allocated proportionately across the respective program expense categories. Conservation and development expenses decreased \$155,052, due primarily to changes in the allocation for the Department of Agriculture's Schools and Road program as well as decreases in professional services required for development projects.

Financial Analysis of the Governmental Funds

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

Governmental funds—The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, *unassigned fund balance* and *fund balance assigned to specific use* in special revenue funds may serve as a useful measure of a government's net resources available for 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, 2016, the County's governmental funds reported combined ending fund balances of \$7,037,343, an increase of \$226,364 in comparison with the prior year. Approximately 55.9 percent of this amount, \$3,930,714, constitutes *unassigned fund balance* and *fund balance assigned to a specific use* in special revenue funds, which is available for spending at the County's discretion. The remainder of fund balance is either *nonspendable*, *restricted*, or *assigned* to indicate that it is: (1) not in spendable form, \$120,513, (2) restricted for particular purposes, \$2,241,892, or (3) assigned for particular purposes, \$744,224.

The General Fund is the chief operating fund of the County. Total ending fund balance was \$3,948,798. Approximately 78.8 percent, \$3,113,617, of this amount is unassigned fund balance. The General Fund fund balance decreased \$103,432 as a result of this year’s activity. As a measure of the General Fund’s liquidity, it may be useful to compare both the *unassigned fund balance* and total fund balance to the total General Fund expenditures and transfers out. *Unassigned fund balance* represents approximately 22.6 percent of the total General Fund expenditures and transfers out, while total fund balance represents approximately 28.6 percent of the same amount.

The County’s Debt Service Fund ending fund balance was \$1,884,217, of which \$29,556 represents prepaid debt service interest payments and \$1,854,661 has been restricted to be used for the future payment of debt service. During the year ended December 31, 2016, the Debt Service Fund fund balance increased \$396,354 as a result of taxes and interest revenues exceeding principal and interest payments for the year. It’s anticipated that the additional taxes collected for debt service purposes will be utilized for obligations due in 2017, 2018, and 2019.

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, 2016 is presented below in Table 5.

Table 5—Summary of General Fund Results of Operations

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues and other financing sources	\$ 14,456,664	\$ 14,456,664	\$ 13,700,136	\$ (756,528)
Expenditures and other financing uses	13,241,903	13,241,903	13,803,568	(561,665)
Excess (deficiency) of revenues over expenditures and other financing uses	\$ 1,214,761	\$ 1,214,761	\$ (103,432)	\$ (1,318,193)

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 unfavorable variance of \$1,318,193. The County the main components of the unfavorable variance were conservation and development, human services, public safety, and culture and recreation. Additionally, a larger portion of the County’s property taxes were allocated to the Debt Service Fund than originally budgeted.

Capital Assets and Debt Administration

Capital assets—The County’s investment in capital assets for its governmental activities as of December 31, 2016, amounted to \$5,918,281 (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, 2016 and 2015 are presented below in Table 6.

Table 6—Summary of Capital Assets (Net of Depreciation)

	<u>Governmental Activities</u>	
	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
Land	\$ 272,234	\$ 272,234
Land improvements	23,511	32,363
Buildings and improvements	4,040,178	4,263,366
E-911 communication system	1,286,175	1,328,444
Machinery and equipment	296,183	325,043
Total	<u>\$ 5,918,281</u>	<u>\$ 6,221,450</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 liabilities—At December 31, 2016, the County had total bonded debt outstanding of \$2,755,000, as compared to \$3,255,000 in the prior year. During the year ended December 31, 2016, the County made scheduled bond principal payments of \$500,000.

A summary of the County’s long-term liabilities at December 31, 2016 and 2015 is presented below in Table 7.

Table 7—Summary of Long-Term Liabilities

	<u>Governmental Activities</u>	
	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
General obligation bonds	\$ 2,755,000	\$ 3,255,000
OPEB obligation	1,523,826	1,625,221
Judgments and claims	199,561	373,137
Net pension liability	1,448,117	1,604,260
Total	<u>\$ 5,926,504</u>	<u>\$ 6,857,618</u>

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 2016 was 5.3 percent, which has increased from the prior year and is unfavorable when compared to the Pennsylvania State unemployment rate of 4.8 percent and the national unemployment rate of 4.5 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.

*** THIS PAGE INTENTIONALLY LEFT BLANK***

BASIC FINANCIAL STATEMENTS

**** THIS PAGE INTENTIONALLY LEFT BLANK ****

COUNTY OF WARREN, PENNSYLVANIA
Statement of Net Position
December 31, 2016

	<u>Primary Government</u>	<u>Component Units</u>	
	<u>Governmental Activities</u>	<u>Rouse Estate</u>	<u>Warren Library Association</u>
ASSETS			
Cash and cash equivalents	\$ 4,437,164	\$ 1,999,284	\$ 490,576
Restricted cash and cash equivalents	2,113,986	342,341	-
Investments	-	2,145,411	3,411,900
Receivables	1,085,169	2,054,450	-
Estimated third party payor settlements	-	396,952	-
Prepaid items	120,513	169,194	-
Other assets	-	26,211	-
Capital assets, not being depreciated	272,234	309,350	-
Capital assets, net of accumulated depreciation	<u>5,646,047</u>	<u>8,605,776</u>	<u>-</u>
Total assets	<u>13,675,113</u>	<u>16,048,969</u>	<u>3,902,476</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	60,962	-	-
Deferred outflows—relating to pensions	<u>1,581,147</u>	<u>-</u>	<u>-</u>
Total deferred outflows of resources	<u>1,642,109</u>	<u>-</u>	<u>-</u>
LIABILITIES			
Accounts payable	521,470	455,678	-
Accrued liabilities	198,019	1,127,193	-
Interest payable	29,556	-	-
Unearned revenue	-	471,113	-
Noncurrent liabilities:			
Due within one year	1,229,561	206,806	-
Due in more than one year	<u>4,696,943</u>	<u>11,630,975</u>	<u>-</u>
Total liabilities	<u>6,675,549</u>	<u>13,891,765</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows—relating to pensions	<u>405,066</u>	<u>-</u>	<u>-</u>
Total deferred outflows of resources	<u>405,066</u>	<u>-</u>	<u>-</u>
NET POSITION			
Net investment in capital assets	3,224,243	-	-
Restricted	2,241,892	1,329,194	2,683,219
Unrestricted	<u>2,770,472</u>	<u>828,010</u>	<u>1,219,257</u>
Total net position	<u>\$ 8,236,607</u>	<u>\$ 2,157,204</u>	<u>\$ 3,902,476</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, 2016

<u>Function/Program</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>
Primary government:						
Governmental activities:						
General government	\$ 5,563,658	\$ 1,099,908	\$ 136,197	\$ (4,327,553)	\$ -	\$ -
Public safety	7,299,194	1,389,187	1,566,925	(4,343,082)	-	-
Public works	202,592	18,501	159,274	(24,817)	-	-
Human services	1,761,593	82,895	899,494	(779,204)	-	-
Culture and recreation	383,824	60,186	94,166	(229,472)	-	-
Conservation and development	768,729	35,097	705,228	(28,404)	-	-
Interest and other fiscal charges	99,529	-	-	(99,529)	-	-
Total primary government	<u>\$ 16,079,119</u>	<u>\$ 2,685,774</u>	<u>\$ 3,561,284</u>	<u>(9,832,061)</u>	<u>-</u>	<u>-</u>
Component units:						
Rouse Estate	\$ 17,624,071	\$ 17,499,847	\$ 139,018		14,794	-
Warren Library Association	1,352,422	45,957	1,354,576		-	48,111
Total component units	<u>\$ 18,976,493</u>	<u>\$ 17,545,804</u>	<u>\$ 1,493,594</u>		<u>14,794</u>	<u>48,111</u>
General revenues:						
Taxes				9,716,289	-	-
Interest and investment income				11,422	273,313	242,961
Miscellaneous				42,462	105,537	-
Unrestricted aid				240,821	-	-
Total general revenues				<u>10,010,994</u>	<u>378,850</u>	<u>242,961</u>
Change in net position				178,933	393,644	291,072
Net position—beginning				<u>8,057,674</u>	<u>1,763,560</u>	<u>3,611,404</u>
Net position—ending				<u>\$ 8,236,607</u>	<u>\$ 2,157,204</u>	<u>\$ 3,902,476</u>

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

COUNTY OF WARREN, PENNSYLVANIA
Balance Sheet—Governmental Funds
December 31, 2016

	<u>General</u>	<u>Debt Service</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 3,688,886	\$ -	\$ 748,278	\$ 4,437,164
Restricted cash and cash equivalents	-	1,823,667	290,319	2,113,986
Receivables	783,575	-	301,594	1,085,169
Due from other funds	112,678	30,994	7,502	151,174
Prepaid items	90,957	29,556	-	120,513
Total assets	<u>\$ 4,676,096</u>	<u>\$ 1,884,217</u>	<u>\$ 1,347,693</u>	<u>\$ 7,908,006</u>
LIABILITIES				
Accounts payable	\$ 490,729	\$ -	\$ 30,741	\$ 521,470
Accrued liabilities	198,019	-	-	198,019
Due to other funds	38,550	-	112,624	151,174
Total liabilities	<u>727,298</u>	<u>-</u>	<u>143,365</u>	<u>870,663</u>
FUND BALANCES				
Nonspendable	90,957	29,556	-	120,513
Restricted	-	1,854,661	387,231	2,241,892
Assigned	744,224	-	817,097	1,561,321
Unassigned	3,113,617	-	-	3,113,617
Total fund balances	<u>3,948,798</u>	<u>1,884,217</u>	<u>1,204,328</u>	<u>7,037,343</u>
Total liabilities and fund balances	<u>\$ 4,676,096</u>	<u>\$ 1,884,217</u>	<u>\$ 1,347,693</u>	<u>\$ 7,908,006</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, 2016

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

Total fund balances—governmental funds (page 15)		\$ 7,037,343
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$16,819,834 and the accumulated depreciation is \$10,901,553.		5,918,281
Deferred charges associated with refunding bond issuances are not reported in the governmental funds. The change is reported as a deferred outflow of resources on the statement of net position and is recognized as a component of interest expense over the life of the debt.		
Deferred outflows related to investment earnings	\$ 1,581,147	
Deferred inflows of resources related to pension plans	<u>(405,066)</u>	1,176,081
Deferred outflows of resources related to a deferred charge on refunding represent a consumption of net position in a future period and, therefore, are not reported in the funds.		60,962
Net accrued interest expense for general obligation bonds is not reported in the funds.		(29,556)
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	\$ (2,755,000)	
OPEB obligation	(1,523,826)	
Judgments and claims	(199,561)	
Net pension liability	<u>(1,448,117)</u>	<u>(5,926,504)</u>
Net position of governmental activities		<u>\$ 8,236,607</u>

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

COUNTY OF WARREN, PENNSYLVANIA
Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds
Year Ended December 31, 2016

	<u>General</u>	<u>Debt Service</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 8,741,595	\$ 959,305	\$ -	\$ 9,700,900
Licenses and permits	25,453	-	-	25,453
Intergovernmental	2,598,983	-	1,427,740	4,026,723
Charges for services	1,892,423	-	232,414	2,124,837
Fines and forfeitures	121,456	-	-	121,456
Interest and investment income	5,632	5,037	1,657	12,326
Miscellaneous	237,828	-	8,529	246,357
Total revenues	<u>13,623,370</u>	<u>964,342</u>	<u>1,670,340</u>	<u>16,258,052</u>
EXPENDITURES				
Current:				
General government	4,791,741	750	476,415	5,268,906
Public safety	6,033,981	-	1,056,861	7,090,842
Public works	5,000	-	176,581	181,581
Human services	1,686,366	-	-	1,686,366
Culture and recreation	366,923	-	-	366,923
Conservation and development	624,108	-	119,219	743,327
Miscellaneous	107,722	-	6,027	113,749
Debt service:				
Principal	-	500,000	-	500,000
Interest	12,756	67,238	-	79,994
Total expenditures	<u>13,628,597</u>	<u>567,988</u>	<u>1,835,103</u>	<u>16,031,688</u>
Excess (deficiency) of revenues over expenditures	<u>(5,227)</u>	<u>396,354</u>	<u>(164,763)</u>	<u>226,364</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	76,766	-	174,971	251,737
Transfers out	(174,971)	-	(76,766)	(251,737)
Total other financing sources (uses)	<u>(98,205)</u>	<u>-</u>	<u>98,205</u>	<u>-</u>
Net change in fund balances	(103,432)	396,354	(66,558)	226,364
Fund balances—beginning	<u>4,052,230</u>	<u>1,487,863</u>	<u>1,270,886</u>	<u>6,810,979</u>
Fund balances—ending	<u>\$ 3,948,798</u>	<u>\$ 1,884,217</u>	<u>\$ 1,204,328</u>	<u>\$ 7,037,343</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, 2016

Amounts reported for governmental activities in the statement of activities (page 14) are different because:

Net change in fund balances—total governmental funds (page 17) \$ 226,364

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	\$ 69,102	
Depreciation expense	<u>(372,271)</u>	(303,169)

Net difference between pension contributions recognized on the fund financial statements and the government-wide financial statements related to the cost of benefits earned net of employee contributions. (499,698)

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. 4,063

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:

Principal repayment of general obligation bonds	\$ 500,000	
Change in OPEB obligation	101,395	
Change in judgments and claims	<u>173,576</u>	<u>774,971</u>

Change in net position of governmental activities \$ 178,933

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, 2016

	<u>Pension Trust Fund</u>	<u>Private Purpose Fund</u>	<u>Agency Fund</u>
ASSETS			
Restricted cash and cash equivalents	\$ 265,901	\$ 4,476	\$ 1,436,489
Investments	31,777,117	1,245,161	-
Receivables	507,263	2,920	-
Total assets	<u>\$ 32,550,281</u>	<u>\$ 1,252,557</u>	<u>\$ 1,436,489</u>
LIABILITIES			
Temporary withholding liabilities	\$ -	\$ -	\$ 1,436,489
Total liabilities	<u>-</u>	<u>-</u>	<u>\$ 1,436,489</u>
NET POSITION			
Held in trust for pension benefits and other purposes	<u>32,550,281</u>	<u>1,252,557</u>	
Total net position	<u>\$ 32,550,281</u>	<u>\$ 1,252,557</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, 2016

	<u>Pension Trust Fund</u>	<u>Private Purpose Fund</u>
ADDITIONS		
Contributions:		
Employee contributions	\$ 671,855	\$ -
County contributions	360,606	-
Other contributions	<u>-</u>	<u>20,646</u>
Total contributions	<u>1,032,461</u>	<u>20,646</u>
Investment income:		
Net gain in fair value	1,168,486	-
Interest	294,470	77,341
Dividends	532,423	-
Miscellaneous	339,365	452
Less: investment expense	<u>(123,105)</u>	<u>-</u>
Total investment income	<u>2,211,639</u>	<u>77,793</u>
DEDUCTIONS		
Benefits and refunds paid to plan members and beneficiaries	(1,633,746)	(68,665)
Administrative expenses	(12,600)	(10,367)
Other deductions	<u>-</u>	<u>(425)</u>
Total deductions	<u>(1,646,346)</u>	<u>(79,457)</u>
Change in net position	1,597,754	18,982
Net position—beginning	<u>30,952,527</u>	<u>1,233,575</u>
Net position—ending	<u>\$ 32,550,281</u>	<u>\$ 1,252,557</u>

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

*** THIS PAGE INTENTIONALLY LEFT BLANK***

COUNTY OF WARREN, PENNSYLVANIA
Notes to the Financial Statements
December 31, 2016

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 (“U.S. GAAP”) as 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., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, 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 Attorney	Prothonotary and Clerk of the Courts
County Treasurer	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 two 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 69-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 Annex, which includes an office building

(“Rouse Agricultural Center”) that rents office space to businesses located in Warren County. In addition to including the Rouse Agricultural Center, the Rouse Annex includes activities of the Estate not included in the three other divisions. 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 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, 2016.

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

The Estate’s financial statements can be obtained either through inquiry of the County or the Estate. The County’s address is Commissioners of Warren County, 204 Fourth Avenue, Warren PA, 16365, and the 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, short-term items are recorded when cash levels change. Therefore, income is recognized generally when received rather than when earned, and expenses are recognized when paid rather than when incurred. Long-term balance sheet items are recorded with accruals.

The Association's financial statements can be obtained either through inquiry of the County or the Association. The 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 entities have separate elected boards and provide services to residents, generally within the geographic boundaries of the County. These entities 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 Estate and the 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, including its fiduciary 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. The County's fiduciary funds include the following:

- *Pension Trust 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 department account for the administrative costs of the system. Resources are contributed by employees at rates fixed by law and by the County at amounts determined by an annual actuarial study.

- *Private Purpose Fund*—The Private Purpose Fund is used to account for resources legally held in trust for use by the County devoted for specific purposes.
- *Agency Fund*—The Agency Fund is custodial in nature and does not include measurement of results of operations. The Agency Fund accounts for 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 *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 (within 60 days of year-end). 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 (within 60 days of year-end). 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 and Cash Equivalents—The County’s cash and cash equivalents 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.

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

Investments—The County reports investments of \$31,777,117 within the Pension Trust Fund and \$1,245,161 within the Private Purpose Trust Fund at December 31, 2016; it is County policy to record investments at fair value based on quoted market value.

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>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, 2016, the County has two items that qualify for reporting in this category. The first item is a deferred charge on refunding which the County reports within its governmental activities. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is related to pensions reported in the government-wide financial statements. This represents the effect of the net difference between projected and actual earnings on pension plan investments.

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, 2016, the County has one item that qualifies for reporting in this category. This item is related to pensions reported in the government-wide financial statements. This represents the effect of differences between expected and actual experience related to pension plan investments.

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 and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the County’s position 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 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 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 Expenses/Expenditures

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 2016, 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.

Pensions—Nearly all County employees are members of the County's single-employer defined benefit pension plan. The County makes contributions on an annual basis at an actuarially determined rate. For purposes of measuring the net pension (asset)/liability, deferred inflows and outflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit pension plans, and changes thereof, have been determined on the same basis as they are reported by the respective defined benefit pension plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. More information regarding pensions is included in Note 7.

Other Post-Employment Benefits—In addition to providing pension benefits, the County provides health insurance coverage and/or payments for fractional values of unused sick leave for certain retired employees at the time of retirement as discussed in Note 8.

Other

Estimates—The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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 expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Adoption of New Accounting Pronouncements—During the year ended December 31, 2016, the County implemented GASB Statements 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 Governments*, No. 77, *Tax Abatement Disclosures*, No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, and No. 79, *Certain External Investment Pools and Pool Participants*. GASB Statement No. 72 provides guidance for determining a fair value measurement for financial reporting purposes, as well as guidance on applying fair value to certain investments and disclosures related to all fair value measurements. GASB Statement No. 73 establishes a single framework for the presentation of information about pensions, which will enhance the comparability of pension-related information reported by employers and nonemployer contributing entities. GASB Statement No. 76 reduces the GAAP

hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. GASB Statement No. 77 requires the disclosure of information about the nature and magnitude of tax abatements and will make these transactions more transparent to financial statement users. GASB Statement No. 78 addresses a practice issue regarding the scope and applicability of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. GASB Statements No. 72, 73, 76, 77, 78, and 79 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. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*; No. 80, *Blending Requirements for Certain Component Units - an Amendment of GASB Statement No. 14*; No. 81, *Irrevocable Split-Interest Agreements*; No. 82, *Pension Issues; an Amendment of GASB Statements No. 67, No. 68, and No. 73*, effective for the fiscal year ending December 31, 2017; No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; No. 85, *Omnibus 2017*; and No. 86, *Certain Debt Extinguishment Issues*, effective for the fiscal year ending December 31, 2018; No. 83, *Certain Asset Retirement Obligations*; No. 84, *Fiduciary Activities*, effective for the fiscal year ending December 31, 2019; and No. 87, *Leases*, effective for the fiscal year ending December 31, 2020. The County is, therefore, unable to disclose the impact that adopting GASB Statements No. 74, 75, 80, 81, 82, 83, 84, 85, 86 and 87 will have on its financial position and results of operations when such statements are adopted.

Stewardship, Compliance and Accountability

Legal Compliance—Budgets—The County's annual procedures in establishing the budgetary data reflected in the financial statements are described below.

- 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, 2016.
- 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.
- The County does not account for encumbrances.

Additional information regarding the County's budgets can be found in the Required Supplementary Information section of this report.

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, 2016 consisted of:

	Governmental Funds	Fiduciary Funds	Total
Petty cash (uncollateralized)	\$ 56,803	\$ -	\$ 56,803
Deposits	<u>6,494,347</u>	<u>1,706,866</u>	<u>8,201,213</u>
Total	<u>\$ 6,551,150</u>	<u>\$ 1,706,866</u>	<u>\$ 8,258,016</u>

Deposits—All deposits are carried at fair value and are classified by custodial credit risk at December 31, 2016 as follows:

	Bank Balance	Carrying Amount
FDIC insured	\$ 1,002,271	\$ 1,002,271
Uninsured:		
Collateral held by pledging bank's agent in the County's name	<u>7,412,888</u>	<u>7,198,942</u>
Total	<u>\$ 8,415,159</u>	<u>\$ 8,201,213</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, 2016, the County's deposits were FDIC insured or collateralized.

Restricted Cash and Cash Equivalents—The County reports restricted cash, totaling \$3,820,852, within the Debt Service Fund, Warren E-911 Fund, Special Purpose Funds and 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 \$1,823,667, \$196,323, \$93,996 and \$1,706,866, respectively.

Rouse Estate

Cash, Cash Equivalents, and Restricted Cash—The Estate considers all highly-liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. At December 31, 2016, the Estate had \$1,999,284 in cash and cash equivalents, and \$342,341 in restricted cash and cash equivalents for donor and resident deposits.

Warren County Library Association

Cash and Cash Equivalents—The Association considers all highly-liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. At December 31, 2016, the Association had \$490,576 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.

All investments are reported using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

- **Level 1**—Quotes prices for identical assets or liabilities in active markets to which the County has access at the measurement date.
- **Level 2**—Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:
 - Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets in markets that are not active;
 - Observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
 - Inputs derived principally from or corroborated by, observable market data correlation or by other means.
- **Level 3**—Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure fair value to the extent that observable inputs are not available.

All assets measured at fair value have been determined to be Level 1 category assets.

The fair value of investments at December 31, 2016 are presented on the following page.

	Fiduciary Funds		Component Units	
	Pension Trust Fund	Private Purpose Fund	Rouse Estate	Warren Library Association
Short-term investments	\$ -	\$ -	\$ 186,513	\$ 94,524
Fixed income	11,238,596	-	-	1,139,085
Equities	16,389,217	236,299	371,747	1,742,448
Alternatives	-	67,975	106,939	435,843
Mutual Fund	4,149,304	940,887	1,480,212	-
Total	<u>\$ 31,777,117</u>	<u>\$ 1,245,161</u>	<u>\$ 2,145,411</u>	<u>\$ 3,411,900</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 generally 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, 2016, the only investments reported by the County were within its Fiduciary Funds (Pension Trust Fund and Private Purpose Fund) and its component units. These investments consisted entirely of Level 1 input reliability.

4. RECEIVABLES

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, 2016 are presented below.

Governmental funds:	
General Fund	\$ 783,575
Nonmajor governmental funds	<u>301,594</u>
Total governmental funds	<u>\$ 1,085,169</u>
Fiduciary funds:	
Pension Trust Fund	\$ 507,263
Private Purpose Fund	<u>2,920</u>
Total fiduciary funds	<u>\$ 510,183</u>

Rouse Estate

Receivables—Significant receivables for the Estate at December 31, 2016 comprise of amounts due from residents. Resident accounts receivable of the County’s component unit, the Estate, totaled \$2,054,450, 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 primary government’s governmental activities for the year ended December 31, 2016 was as follows:

	<u>Balance</u> <u>1/1/2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/2016</u>
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	227,284	6,750	-	234,034
Buildings and improvements	9,351,822	10,880	-	9,362,702
E-911 communication system	1,704,654	-	-	1,704,654
Machinery and equipment	5,339,737	51,472	144,999	5,246,210
Total capital assets, being depreciated	<u>16,623,497</u>	<u>69,102</u>	<u>144,999</u>	<u>16,547,600</u>
Less accumulated depreciation for:				
Land improvements	194,921	15,602	-	210,523
Buildings and improvements	5,088,456	234,068	-	5,322,524
E-911 communication system	376,210	42,269	-	418,479
Machinery and equipment	5,014,694	80,332	144,999	4,950,027
Total accumulated depreciation	<u>10,674,281</u>	<u>372,271</u>	<u>144,999</u>	<u>10,901,553</u>
Total capital assets being depreciated, net	<u>5,949,216</u>	<u>(303,169)</u>	<u>-</u>	<u>5,646,047</u>
Governmental activities capital assets, net	<u>\$ 6,221,450</u>	<u>\$ (303,169)</u>	<u>\$ -</u>	<u>\$ 5,918,281</u>

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

Governmental activities:	
General government	\$ 172,907
Public safety	104,459
Public works	18,350
Human services	50,519
Culture and recreation	11,525
Conservation and development	14,511
Total	<u>\$ 372,271</u>

Rouse Estate

Capital Assets—The 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, 2016, the Estate reported net property, facility, and equipment totaling \$8,915,126.

6. ACCRUED LIABILITIES

Accrued liabilities reported by governmental funds at December 31, 2016 were as follows:

	General Fund
Salary and employee benefits	<u>\$ 198,019</u>

7. PENSION PLAN

Summary of Significant Accounting Policies—The Warren County Employees' Retirement System ("ERS") financial statements are prepared using the accrual basis of accounting. ERS member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Plan Description—The Warren County ERS is a single-employer defined benefit pension plan established under the provisions of Act 96 of 1971, as amended, of the Commonwealth of Pennsylvania (County Pension Law). The ERS provides pension benefits for all full-time employees of the County. Part-time employees may not be covered, depending on hours. The ERS is administered by a Retirement Board consisting of three county council members, the county controller and the county director of finance. The Retirement Board has delegated the authority to manage plan assets to Morrison Fiduciary Advisors, Inc.

Plan Membership—At December 31, 2016, ERS membership consisted of the following:

Retirees and Beneficiaries Receiving Benefits	180
Terminated Plan Members Entitled to but not yet receiving benefits	20
Active Plan members	<u>206</u>
Total	<u>406</u>
Number of Participating Employers	<u>1</u>

Benefits Provided

Retirement Benefit—A participant is entitled to begin receiving retirement benefits at age 55 if the member has completed 20 years of service or at age 60. The retirement benefit is equal to 1.25% of the member's "Final Average Salary" multiplied by years of credited service, plus an annuity based on the actuarial equivalent of the member's accumulated contributions with interest. The "Final Average Salary" is defined as the average of the highest three years of compensation earned by the member.

Disability Retirement Benefit—A participant is entitled to a disability benefit after suffering a Total and Permanent Disability prior to retirement eligibility and after completion of five years of credited service. The disability benefit is equal to 25% of Final Average Salary at the time of retirement. Such disability benefit shall include the benefit that is actuarially equivalent to the member's accumulated contributions at retirement.

Death Benefits—The Pre-Retirement Death Benefit is payable if an active member dies after having attained age 60 or having completed ten years of credited service. His beneficiary will receive a lump sum equal to the actuarially determined present value of the benefits calculated based on the member's Final Average Salary and credited service at time of death plus the member's accumulated contributions with interest at time of death.

The Post-Retirement Death Benefit is payable upon the death of a retired member. His beneficiary will receive survivor benefits, if any, in accordance with the form under which benefits were being paid to the member. In any event, the total amount of benefits paid to the deceased member and beneficiary must, at least, equal the member's accumulated contributions with interest.

Contributions

ERS members are required to contribute 7% of their annual covered salary. The County is required to contribute at an actuarially determined rate. Per Act 96 of 1971, as amended, contribution requirements of the ERS members and the County are established and may be amended by the General Assembly of the Commonwealth of Pennsylvania. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by ERS members during the year, with an additional amount to finance any unfunded accrued liability. For the year ended December 31, 2016, the ERS had deposits totaling \$1,032,461. This was comprised of member contributions of \$671,855 and County contributions of \$360,606.

The components of the net pension liability of the County as of December 31, 2016 are as follows:

Total pension liability	\$ 33,998,398
Plan fiduciary net position	<u>(32,550,281)</u>
County's net pension liability	<u>\$ 1,448,117</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>95.74%</u>

Actuarial Assumptions—The total pension liability was determined by an actuarial valuation performed as of December 31, 2016 using the following assumptions, applied to all periods in the measurement:

Actuarial cost method	Individual Entry Age Normal
Amortization method	Recognition Period
Investment rate of return	7.5%
Salary increases	2.5%
Inflation rate	2.0%
Assumed retirement age	15% at age 55; 3% at ages 56-59; 10% at ages 60-61; 25% at age 62; 15% at ages 63-64; 100% at age 65
Turnover table	T-7
Asset valuation method	Fair Market Value
Cost of living adjustments	None

Mortality rates were based on the RP-2000 Mortality Table for Males and Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

GASB Recognition Period—The deferred inflows and deferred outflows of resources are amortized over a period of time equal to the total expected future service divided by the sum of all active and inactive participants of the ERS. For the period ended December 31, 2016, the recognition period was calculated to be 4.38 years.

Discount Rate—The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that County contributions will be made at the actuarially determined contribution rate. Based on those assumptions, the ERS's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Rate of Return—For the year ended December 31, 2016, the County's annual money weighted rate of return, net of investment expense, was 7.2%.

Sensitivity of the Net Pension Liability/(Asset) to the Discount Rate Assumption—The chart below presents the County's net pension liability/(asset) of the ERS, calculated using the discount rate of 7.5%, as well as what the County's the net pension liability/(asset) would be if they were calculated using a discount rate that is one percentage-point lower (6.5%) or one percentage-point higher (8.5%) than the current assumption.

	1% Decrease (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
Governmental Activities:			
Employer's net pension liability/(asset)—ERS	\$ 3,923,192	\$ 1,448,117	\$ (661,549)

Changes in the Net Pension Liability

The changes in the County’s net pension liability for the year ended December 31, 2016 are as follows:

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balances at December 31, 2015	\$ 32,556,787	\$ 30,952,527	\$ 1,604,260
Charges for the year:			
Service cost	984,272	-	984,272
Interest	2,449,208	-	2,449,208
Differences between expected and actual experience	(358,123)	-	(358,123)
Changes in assumptions	-	-	-
Contributions - employer	-	360,606	(360,606)
Contributions - member	-	671,855	(671,855)
Net investment income	-	2,211,639	(2,211,639)
Benefit payments, including refunds	(1,633,746)	(1,633,746)	-
Administrative expenses	-	(12,600)	12,600
Net changes	<u>1,441,611</u>	<u>1,597,754</u>	<u>(156,143)</u>
Balances at December 31, 2016	<u>\$ 33,998,398</u>	<u>\$ 32,550,281</u>	<u>\$ 1,448,117</u>
Plan fiduciary net position as a percentage of the total pension liability			<u>95.74%</u>

Pension Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions—At December 31, 2016, the County reported the liability shown below for ERS. The net pension liabilities were measured as of December 31, 2016. The total pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations as of December 31, 2016.

	<u>Governmental Activities</u>
	<u>ERS</u>
Measurement date	December 31, 2016
Net pension liability	\$ 1,448,117

For the year ended December 31, 2016, the County recognized ERS pension expenses of \$860,304 for governmental activities. At December 31, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources as shown on the following page.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
	<u>Governmental Activities</u>	
	<u>ERS</u>	
Differences between expected and actual experiences	\$ -	\$ 405,066
Net difference between projected and actual earnings on pension plan investments	<u>1,581,147</u>	<u>-</u>
Total	<u>\$ 1,581,147</u>	<u>\$ 405,066</u>

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

	<u>Governmental Activities</u>
<u>Year Ending December 31,</u>	<u>ERS</u>
2017	\$ 384,498
2018	384,498
2019	420,800
2020	(13,715)

Rouse Estate

Defined Benefit Plan—The Retirement Plan for Employees of the Commissioners of the Rouse Estate (the “Plan”), adopted January 1, 1972, and subsequently amended, is a noncontributory defined benefit plan covering substantially all employees of the Estate.

To be eligible for the Plan, each full-time employee must complete three months of service after which participation begins on the first day of the following month. The Estate shall contribute such amounts as are deemed necessary to satisfy the funding requirements of the Plan based on the report of the actuary. The Plan was frozen to all new hires effective January 1, 2006.

With respect to accrued benefits as provided by employer contributions, there is no vesting until the completion of five years of service, at which time vesting is 100%.

Effective as of December 31, 2007, the Estate adopted authoritative guidance requiring the recognition of an asset or liability on the balance sheets reflecting the funded status of pension and other postretirement benefit plans such as retiree health and life, with current year changes in the funded status recognized in unrestricted net assets. The Plan has a measurement date of December 31.

The table presented on the following page shows the Plan’s funded status and amount recognized in the accompanying financial statements as of and for the years ended December 31, 2016 and 2015.

Obligations and Funded Status	2016	2015
Projected benefit obligation	\$ 14,508,861	\$ 13,899,791
Fair value of Plan assets	<u>6,673,656</u>	<u>6,458,222</u>
Funded status	<u>\$ (7,835,205)</u>	<u>\$ (7,441,569)</u>
Accumulated benefit obligation	<u>\$ 13,965,124</u>	<u>\$ 13,334,854</u>
Benefits paid	<u>\$ 540,583</u>	<u>\$ 469,579</u>
Employer contribution	<u>\$ 377,908</u>	<u>\$ 295,936</u>
Amounts recognized on the balance sheet as consist of:	2016	2015
Noncurrent liabilities	<u>\$ 7,835,205</u>	<u>\$ 7,441,569</u>

The two primary components of financial statement accounting include a comparison of Plan assets to Plan liabilities and a calculation of net periodic pension cost for the year.

The Plan liabilities are defined as the projected benefit obligation and the accrued benefit obligation. The projected benefit obligation equals the value of Plan benefits which have been earned to date including expected future salary increases of Plan participants. The accumulated benefit obligation equals the value of Plan benefits which have been earned to date but not considered future increases in Plan benefits.

The components of net periodic benefit costs for the years ended December 31, 2016 and 2015 are as follows:

	2016	2015
Service cost	\$ 283,640	\$ 286,912
Interest cost	578,401	538,891
Return on Plan assets	(443,300)	(528,354)
Net amortization and deferral	<u>468,272</u>	<u>417,590</u>
Net periodic benefit cost	<u>\$ 887,013</u>	<u>\$ 715,039</u>

Assumptions—Weighted-average assumptions used to determine benefit obligation and net periodic pension costs as of December 31, 2016 and 2015 are as follows:

	2016	2015
Assumptions to determine benefit obligations:		
Discount rate	4.25 %	4.25 %
Assumptions to determine net periodic benefit costs:		
Discount rate	4.25	4.00
Expected long-term return on Plan assets	7.00	7.00
Rate of compensation increase	2.00	2.00

Plan fiduciaries set investment policies and strategies for the Retirement Plan for Employees of the Commissioners of the Rouse Estate. Long-term strategic investment objectives include preserving the funded status of the trust and balancing risk and return. The Plan fiduciaries oversee the investment allocation process, which includes selecting investment managers, commissioning periodic asset-liability studies, setting long-term strategic targets, and monitoring asset allocations. Target allocation ranges are

guidelines, not limitations, and occasionally Plan fiduciaries will approve allocation above or below a target range.

The allocation of the pension Plan assets is determined on the basis of sound economic principles and is continually reviewed in light of changes in market conditions. Asset allocation favors equity securities, with a target allocation of between 50-75%. The target allocation for debt securities is between 15-50%, alternative investments is between 0-5%, and cash and cash equivalents is between 0-10%. The Estate's Pension Plan weighted average asset allocations as of December 31, 2016 and 2015, by asset categories, is as follows:

Asset Category:	<u>2016</u>	<u>2015</u>
Equity securities	60 %	60 %
Debt securities	29	28
Alternative investments	8	9
Cash and cash equivalents	3	3

The following table shows the level, within the fair value hierarchy, of the Plan's assets at fair value as of December 31, 2016:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	\$ 167,962	\$ 167,962	\$ -	\$ -
Equity securities	3,987,736	3,987,736	-	-
Debt securities	1,958,327	1,958,327	-	-
Alternative investments	559,631	-	559,631	-
Total Plan assets	<u>\$ 6,673,656</u>	<u>\$ 6,114,025</u>	<u>\$ 559,631</u>	<u>\$ -</u>

The following table shows the level, within the fair value hierarchy, of the Plan's assets at fair value as of December 31, 2015:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	\$ 216,022	\$ 216,022	\$ -	\$ -
Equity securities	3,834,307	3,834,307	-	-
Debt securities	1,826,572	1,826,572	-	-
Alternative investments	581,321	-	581,321	-
Total Plan assets	<u>\$ 6,458,222</u>	<u>\$ 5,876,901</u>	<u>\$ 581,321</u>	<u>\$ -</u>

The Estate amortizes experience gains and losses, as well as the effects of changes in actuarial assumptions and Plan provisions, over a period no longer than the average future service of employees.

Funding policy for the Retirement Plan for Employees of the Commissioners of the Rouse Estate is to contribute amounts sufficient to meet minimum funding requirements as set forth in employee benefit and tax laws plus such additional amounts as may be determined to be appropriate.

The Estates expects to contribute \$474,000 to its pension Plan in 2017. Expected future benefit payments that the Estate estimates from its pension Plan are presented on the following page.

<u>Years Ending December 31,</u>	<u>Expected Future Benefit Payment</u>
2017	\$ 609,000
2018	642,000
2019	666,000
2020	712,000
2021	769,000
2022-2026	4,169,000

In February 2015, the Retirement Plans Experience Committee (RPEC) of the Society of Actuaries released its Exposure Draft RP-2014 Mortality Tables, recommending new mortality tables for the valuation of defined benefit plan liabilities. The Estate currently recognizes mortality improvements on a yearly basis in their mortality tables. The Estate will evaluate the best estimate of mortality tables, in conjunction with the plan actuary, for the fiscal year ended December 31, 2017

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 61 retirees receiving health care benefits at December 31, 2016.

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 for bridge coverage, based on the most recent three year average claims experience available, equals \$922.80 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 for Medicare Supplemental Insurance, based on the most recent three year average claims experience available, equals \$405.25 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 on the following page shows the components of the County’s annual OPEB cost for the years ended December 31, 2014, 2015, and 2016, the amount actually contributed to the plan, and the changes in the County’s net OPEB obligation.

	Governmental Activities		
	Year Ended December 31,		
	2016	2015	2014
Annual required contribution ("ARC")	\$ 618,073	\$ 603,484	\$ 603,484
Interest on net OPEB obligation	81,261	85,391	78,187
Adjustment to ARC	(160,335)	(161,582)	(147,963)
Annual OPEB cost (expense)	538,999	527,293	533,708
Contributions made	(640,394)	(683,397)	(316,113)
Increase in net OPEB obligation	(101,395)	(156,104)	217,595
Net OPEB obligation - beginning	1,625,221	1,781,325	1,563,730
Net OPEB obligation - ending	<u>\$ 1,523,826</u>	<u>\$ 1,625,221</u>	<u>\$ 1,781,325</u>
Percentage of ARC contributed	103.6%	113.2%	52.4%

Funding Status and Funding Progress—As of December 31, 2016, calculations were based on plan data as of January 1, 2016 and financial data as of December 31, 2016. The actuarial accrued liability for benefits was \$5,309,775, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$7,165,323, and the unfunded actuarial accrued liability as a percentage of covered payroll was 74.1 percent.

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

Year Ended December 31,	Annual OPEB Cost	Contributions Made	Percentage Contributed	Net OPEB Obligation
2016	\$ 538,999	\$ 640,394	118.8%	\$ 1,523,826
2015	527,293	683,397	129.6%	1,625,221
2014	533,708	316,113	59.2%	1,781,325

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—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. 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, 2016 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a valuation date of January 1, 2016 and measurement date of December 31, 2015. The expected investment rate of return on employer's assets is 5.0 percent. 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 Tables for males and females is used for post-retirement mortality rates. Decrement assumptions (rates of mortality, disability, turnover, and retirement) are generally based on past experience. 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, 2016 was determined to be a weighted average of 13.45 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, 2016, general liability, employee benefits, and law enforcement 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 \$5 million aggregate per member, excess liability is limited to \$2 million per occurrence and \$6 million annual aggregate. Property insurance is limited to a total insured value of \$750 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. Coverage is unlimited on maximum specific benefit per participant in excess of the deductible. In return, the County pays a composite rate of \$55.20 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 259 members covered under the plan. 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 \$199,561 of incurred but not recorded health claims for the year ended December 31, 2016.

Rouse Estate

The Estate has been insured in both 2016 and 2015 for medical malpractice under claims-made policies and the Medical Care Availability and Reduction of Error (MCare) Fund. After a careful evaluation of prior claims as well as any current developments, the Estate has determined a liability accrual for claims incurred but not reported was not necessary for either year ended December 31, 2016 or 2015.

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, 2016.

The following is a summary of the County's short-term debt activity for the year ended December 31, 2016:

Description:	Interest Rate	Maturity Date	Balance 1/1/2016	Issued	Paid	Balance 12/31/2016
Tax anticipation note	0.94%	12/31/2016	\$ -	\$ 3,500,000	\$ 3,500,000	\$ -

11. LONG-TERM LIABILITIES

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

In the fund financial statements, governmental funds recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Further, the unmatured principal of general long-term debt does not require current appropriations and expenditure of governmental fund financial resources.

The County's outstanding long-term liabilities include general obligation bonds, other post-employment benefits ("OPEB") obligation, judgments and claims, and net pension liability.

A summary of changes in the County's long-term debt at December 31, 2016 follows:

Governmental Activities:	Balance 1/1/2016	Additions	Reductions	Balance 12/31/2016	Due Within One Year
General obligation bonds	\$ 3,255,000	\$ -	\$ 500,000	\$ 2,755,000	\$ 1,030,000
OPEB obligation	1,625,221	699,334	800,729	1,523,826	-
Judgments and claims*	373,137	-	173,576	199,561	199,561
Net pension liability*	1,604,260	-	156,143	1,448,117	-
Total governmental activities	\$ 6,857,618	\$ 699,334	\$ 1,630,448	\$ 5,926,504	\$ 1,229,561

*(Reductions to the net pension liability and judgments and claims are shown net of additions).

General Obligation Bonds—The County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities. 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, 2016 is \$2,755,000. 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.

A summary of bonded indebtedness transactions for the year ended December 31, 2016 follows:

Description	Years of Issue/ Maturity	Interest Rate (%)	Balance 1/1/2016	Additions	Reductions	Balance 12/31/2016
Governmental activities:						
General public improvements	2011/2019	0.65-2.40%	\$ 3,255,000	\$ -	\$ 500,000	\$ 2,755,000
Total governmental activities			<u>\$ 3,255,000</u>	<u>\$ -</u>	<u>\$ 500,000</u>	<u>\$ 2,755,000</u>

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 \$1,523,826 at December 31, 2016.

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 \$199,561 of incurred but not recorded health claims for the year ended December 31, 2016.

Net Pension Liability—The County reports a net pension liability for the Employees’ Retirement System. The net pension liability is estimated to be \$1,448,117 in the governmental activities. Refer to Note 7 for additional information related to the County’s net pension liability.

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

Year Ending December 31,	Governmental Activities				
	General Obligation Bonds	OPEB Obligation	Judgments and Claims	Net Pension Liability	Total
2017	\$ 1,030,000	\$ -	\$ 199,561	\$ -	\$ 1,229,561
2018	1,050,000	-	-	-	1,050,000
2019	675,000	-	-	-	675,000
2020 and thereafter	-	1,523,826	-	1,448,117	2,971,943
	<u>\$ 2,755,000</u>	<u>\$ 1,523,826</u>	<u>\$ 199,561</u>	<u>\$ 1,448,117</u>	<u>\$ 5,926,504</u>

Interest requirements on general obligation bonds payable for governmental activities are as follows:

Year ending December 31,	Interest
2017	\$ 59,113
2018	38,513
2019	16,200
	<u>\$ 113,826</u>

Rouse Estate

The Estate's outstanding long-term liabilities include bonds payable, loans payable, revenue note payable, and net pension liability.

A summary of changes in the Estate's long-term debt at December 31, 2016 is as follows:

	Balance 1/1/2016	Additions	Reductions	Balance 12/31/2016	Due Within One Year
Revenue note payable	\$ 4,021,133	\$ -	\$ 179,304	\$ 3,841,829	\$ 178,436
Deferred financing costs	(39,999)	5,604	-	(34,395)	-
Revenue note payable, net	3,981,134	5,604	179,304	3,807,434	178,436
General obligation bonds	515,000	-	515,000	-	-
Loans payable	223,328	-	28,186	195,142	28,370
Net pension liability	7,441,569	609,070	215,434	7,835,205	-
Total	<u>\$ 12,161,031</u>	<u>\$ 614,674</u>	<u>\$ 937,924</u>	<u>\$ 11,837,781</u>	<u>\$ 206,806</u>

General Obligation Bonds—The Estate issued \$2,550,000 in General Obligation Bonds, Series 2011B, on behalf of the Estate. 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 and were fully amortized as of December 31, 2016, in connection with pay off of Series 2011B bonds.

Loans Payable—The loans payable are collateralized by equipment, vehicles and other assets of the Estate. The total loans payable reported by the Estate at December 31, 2016 is \$195,142.

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 Estate along with assignment of rents and leases. Debt issuance costs in connection with the bonds amounted to \$43,536. The Estate has a financial covenant with respect to the Tax-Exempt Revenue Note, Series 2012. The Estate was in compliance with the financial covenant as of and for the year ended December 31, 2015. The Estate was not in compliance with the financial covenant as of and for the year ended December 31, 2016; however, a waiver was obtained.

Net Pension Liability—The District reported a liability, \$7,835,205, for The Retirement Plan for Employees of the Commissioners of the Rouse Estate. Refer to Note 7 for additional information related to the Estate's net pension liability.

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	\$ 5,918,281
Less related debt:	
General obligation bonds	(2,755,000)
Deferred charge on refunding	<u>60,962</u>
Net investment in capital assets	<u>\$ 3,224,243</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 \$2,241,892 is restricted for debt reduction, E-911 operations and Special Purpose Funds’ operations in the amounts of \$1,854,661, \$287,711 and \$99,520, 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, 2016 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 \$90,957 and \$29,556, respectively.

In the fund financial statements, restricted fund balances are amounts constrained to specific purposes (such as creditors, grants, contributors, or laws and regulations of other governments) through constitutional provisions or enabling legislation. At December 31, 2016 the County reported restricted fund balance as shown below.

	Debt Reduction	E-911 Operations	Special Purpose	Total Restricted
Debt Service Fund	\$ 1,854,661	\$ -	\$ -	\$ 1,854,661
Nonmajor funds	<u>-</u>	<u>287,711</u>	<u>99,520</u>	<u>387,231</u>
Total	<u>\$ 1,854,661</u>	<u>\$ 287,711</u>	<u>\$ 99,520</u>	<u>\$ 2,241,892</u>

- **Debt Reduction**—Represents \$1,854,661 restricted for the reduction of future debt service requirements.
- **E-911 Operations**—Represents \$287,711 restricted for costs associated with the operations of the County’s E-911 Fund.
- **Special Purpose**—Represents \$99,520 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, 2016, the County has no committed fund balance.

In the fund financial statements, assignments are not legally required segregations, but are subject to a purpose constraint that represents an intended use established by the County’s Commissioners, or by its designated body or official. The County Commissioners authorize the fiscal director to make a determination of the assigned amounts of fund balance. The purpose of the assignment must be narrower than the purpose of the General Fund, and in funds other than the General Fund, assigned fund balance represents the residual amount of fund balance. At December 31, 2016, the County reported fund balance assignments as shown below.

	Health Insurance	Specific Use	Total Assigned
General Fund	\$ 744,224	\$ -	\$ 744,224
Nonmajor Funds	-	817,097	817,097
Total	<u>\$ 744,224</u>	<u>\$ 817,097</u>	<u>\$ 1,561,321</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.

Unassigned fund balance represents the residual classification of the County’s General Fund, and could report a surplus or deficit. As of December 31, 2016 the unassigned fund balance was \$3,113,617.

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. The composition of interfund balances as of December 31, 2016 is as follows:

Fund	Interfund	
	Receivable	Payable
General Fund	\$ 112,678	\$ 38,550
Debt Service Fund	30,994	-
Nonmajor funds	7,502	112,624
Total	<u>\$ 151,174</u>	<u>\$ 151,174</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. The County made the following transfers during the year ended December 31, 2016:

Fund	Transfers in:		Total
	General Fund	Nonmajor Funds	
Transfers out:			
General Fund	\$ -	\$ 174,971	\$ 174,971
Nonmajor funds	76,766	-	76,766
Total	<u>\$ 76,766</u>	<u>\$ 174,971</u>	<u>\$ 251,737</u>

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, 2016 and 2015 is presented below.

	Balance 12/31/2015	Balance 12/31/2016
ASSETS		
Restricted cash and cash equivalents	<u>\$ 1,838,838</u>	<u>\$ 1,436,489</u>
LIABILITIES		
Temporary withholdings liabilities	<u>\$ 1,838,838</u>	<u>\$ 1,436,489</u>

15. RELATED PARTY TRANSACTIONS

The County provided the 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, and the County and Municipal Employees have settled contracts through December 31, 2017.

17. TAX ABATEMENTS

The County is subject to tax abatements granted by the Warren County Industrial Development Authority (“WCIDA”). These programs have the stated purpose of increasing business activity and employment in the region. Economic development agreements are entered into by the WCIDA and include the abatement of state, county, local, and school district taxes, in addition to other assistance. As of December 31, 2016 the County does not have tax abatement agreements.

18. 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.

Litigation—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.

Rouse Estate

The Estate has entered into a commitment with a construction company and an architect for the Rouse Suites Addition Phase II on its campus. Phase II Addition of The Suites at Rouse will add eight one-bedroom apartments and shells for seven additional apartments. The contract sum is approximately \$1,295,000. Construction of Phase II began during the year ended December 31, 2016, and is expected to be completed during May 2017. The Estate had approximately \$900,000 remaining in commitments related to the construction as of the year ended December 31, 2016. The Estate has refinanced their debt as of March 20, 2017, to finance the new construction.

19. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 11, 2017, 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. In January 2017, the County issued \$4,500,000 of tax anticipation notes with an interest rate at 1.0 percent. These notes mature on December 31, 2017.

Rouse Estate

The Estate completed the first phase of an expansion project of The Suites at Rouse on January 11, 2017. The expansion includes the addition of four additional apartments, a new community room, the renovation of the beauty shop, and the alteration and addition of an executive office building. On December 31, 2016, the Estate entered into a contract for the second phase of the expansion project for The Suites at Rouse, which includes the addition of eight one-bedroom units, as well as a shell to add more units in the future. The expected completion date is May 2017.

On March 20, 2017, the Estate was issued a \$6,131,000 Bank-Qualified Tax-Exempt IDA Loan. The note has a 20 year term, with a fixed rate of interest of 2.94% for the first ten years. The rate of interest will adjust 10 years from the anniversary of the loan to the monthly average yield of 10 year U.S. Treasury Securities as published forty-five days prior to the Change Date by the Federal Reserve Bank, plus 1.95%, and then multiplied by 70% and rounded to the nearest 1/8th percent. The note is collateralized by buildings, equipment, and substantially all other assets of the Rouse Estate. Of the total \$6,131,000 issued, \$3,857,000 was used to refinance the existing debt, \$529,000 was used to reimburse the Estate for construction costs related to the first phase of the expansion project, and the remaining \$1,745,000 will be used to finance the second phase of The Suites at Rouse construction project.

* * * * *

REQUIRED SUPPLEMENTARY INFORMATION

COUNTY OF WARREN, PENNSYLVANIA
Schedule of Funding Progress—Other Post-Employment Benefits Plan
Year Ended December 31, 2016

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability ("AAL")	Unfunded AAL ("UAAL")	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
As of December 31, 2015	\$ -	\$ 5,309,775	\$ 5,309,775	-	\$ 7,165,323	74.1%
As of December 31, 2013	-	5,650,980	5,650,980	-	6,680,925	84.6%
As of December 31, 2011	-	6,934,382	6,934,382	-	6,418,659	108.0%

COUNTY OF WARREN, PENNSYLVANIA
Schedule of Changes in the County's Net Pension Liability (Asset) and Related Ratios—Employees' Retirement System
Years Ended December 31,

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
TOTAL PENSION LIABILITY					
Service cost	\$ 984,272	\$ 946,408	\$ 910,312	\$ 933,619	\$ 909,242
Interest	2,449,208	2,337,162	2,301,850	2,215,688	2,118,913
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	(358,123)	(238,710)	(1,188,108)	(471,784)	(417,585)
Changes of assumptions	-	-	-	-	-
Benefit payments, including refunds of member contributions	<u>(1,633,746)</u>	<u>(1,535,604)</u>	<u>(1,652,819)</u>	<u>(1,331,170)</u>	<u>(1,360,483)</u>
Net changes in total pension liability	1,441,611	1,509,256	371,235	1,346,353	1,250,087
Total pension liability—beginning	<u>32,556,787</u>	<u>31,047,531</u>	<u>30,676,296</u>	<u>29,329,943</u>	<u>28,079,856</u>
Total pension liability—ending (a)	<u>\$ 33,998,398</u>	<u>\$ 32,556,787</u>	<u>\$ 31,047,531</u>	<u>\$ 30,676,296</u>	<u>\$ 29,329,943</u>
PLAN FIDUCIARY NET POSITION					
Contributions—employer	\$ 360,606	\$ 206,224	\$ 246,976	\$ 422,795	\$ 404,093
Contributions—member	671,855	642,114	619,927	627,708	623,017
Net investment income	2,211,639	(155,093)	1,750,895	4,846,025	2,490,687
Benefit payments, including refunds of member contributions	(1,633,746)	(1,535,604)	(1,652,819)	(1,331,170)	(1,360,483)
Administrative expense	<u>(12,600)</u>	<u>(149,347)</u>	<u>(17,350)</u>	<u>(17,350)</u>	<u>(17,350)</u>
Net change in plan fiduciary net position	1,597,754	(991,706)	947,629	4,548,008	2,139,964
Plan fiduciary net position—beginning	<u>30,952,527</u>	<u>31,944,233</u>	<u>30,996,604</u>	<u>26,448,596</u>	<u>24,308,632</u>
Plan fiduciary net position—ending (b)	<u>\$ 32,550,281</u>	<u>\$ 30,952,527</u>	<u>\$ 31,944,233</u>	<u>\$ 30,996,604</u>	<u>\$ 26,448,596</u>
NET PENSION LIABILITY (ASSET) - ENDING (a-b)	<u>\$ 1,448,117</u>	<u>\$ 1,604,260</u>	<u>\$ (896,702)</u>	<u>\$ (320,308)</u>	<u>\$ 2,881,347</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>95.74%</u>	<u>95.07%</u>	<u>102.89%</u>	<u>101.04%</u>	<u>90.18%</u>
Covered employee payroll	<u>\$ 7,916,393</u>	<u>\$ 7,467,688</u>	<u>\$ 7,250,218</u>	<u>\$ 6,768,038</u>	<u>\$ 7,011,532</u>
Net pension liability as a percentage of covered employee payroll	18.29%	21.48%	-12.37%	-4.73%	41.09%

(continued)

The notes to the required supplementary information are an integral part of this schedule.

COUNTY OF WARREN, PENNSYLVANIA
Schedule of Changes in the County's Net Pension Liability (Asset) and Related Ratios—Employees' Retirement System
Years Ended December 31,

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>(concluded)</u> <u>2007</u>
TOTAL PENSION LIABILITY					
Service cost	\$ 931,226	\$ 938,541	\$ -	\$ -	\$ -
Interest	1,992,648	1,859,706	-	-	-
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	110,828	301,909	-	-	-
Changes of assumptions	-	(499,711)	-	-	-
Benefit payments, including refunds of member contributions	<u>(1,292,193)</u>	<u>(1,353,480)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in total pension liability	1,742,509	1,246,965	-	-	-
Total pension liability—beginning	<u>26,337,347</u>	<u>25,090,382</u>	<u>24,621,141</u>	<u>23,484,884</u>	<u>-</u>
Total pension liability—ending (a)	<u>\$ 28,079,856</u>	<u>\$ 26,337,347</u>	<u>\$ 25,090,382</u>	<u>\$ 24,621,141</u>	<u>\$ 23,484,884</u>
PLAN FIDUCIARY NET POSITION					
Contributions—employer	\$ 682,024	\$ 381,398	\$ -	\$ 23,128	\$ 101,484
Contributions—member	617,916	619,359	620,853	706,229	645,421
Net investment income	320,373	1,863,496	4,500,516	(6,404,774)	1,513,551
Benefit payments, including refunds of member contributions	(1,292,193)	(1,353,480)	(1,158,401)	(1,324,100)	(1,052,375)
Administrative expense	<u>(11,550)</u>	<u>(13,362)</u>	<u>(22,317)</u>	<u>(44,692)</u>	<u>(48,391)</u>
Net change in plan fiduciary net position	316,570	1,497,411	3,940,651	(7,044,209)	1,159,690
Plan fiduciary net position—beginning	<u>23,992,062</u>	<u>22,494,651</u>	<u>18,554,000</u>	<u>25,598,184</u>	<u>24,433,186</u>
Plan fiduciary net position—ending (b)	<u>\$ 24,308,632</u>	<u>\$ 23,992,062</u>	<u>\$ 22,494,651</u>	<u>\$ 18,553,975</u>	<u>\$ 25,592,876</u>
NET PENSION LIABILITY (ASSET) - ENDING (a-b)	<u>\$ 3,771,224</u>	<u>\$ 2,345,285</u>	<u>\$ 2,595,731</u>	<u>\$ 6,067,166</u>	<u>\$ (2,107,992)</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>86.57%</u>	<u>91.10%</u>	<u>89.65%</u>	<u>75.36%</u>	<u>108.98%</u>
Covered employee payroll	<u>\$ 6,837,442</u>	<u>\$ 7,266,950</u>	<u>\$ 7,197,146</u>	<u>\$ 7,783,637</u>	<u>\$ 7,975,097</u>
Net pension liability as a percentage of covered employee payroll	55.16%	32.27%	36.07%	77.95%	-26.43%

The notes to the required supplementary information are an integral part of this schedule.

COUNTY OF WARREN, PENNSYLVANIA
Schedule of County Contributions—Employees’ Retirement System
Year Ended December 31,

<u>Schedule of County Contributions</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Actuarially determined contribution	\$ 360,606	\$ 206,224	\$ 246,976	\$ 422,795	\$ 404,093
Contributions in relation to the actuarially determined contribution	<u>360,606</u>	<u>206,224</u>	<u>246,976</u>	<u>422,795</u>	<u>404,093</u>
Contribution deficiency (excess)	<u>\$ -</u>				
 Covered employee payroll	 <u>\$ 7,916,393</u>	 <u>\$ 7,467,688</u>	 <u>\$ 7,250,218</u>	 <u>\$ 6,768,038</u>	 <u>\$ 7,011,532</u>
 Contributions as a percentage of covered employee payroll	 4.56%	 2.76%	 3.41%	 6.25%	 5.76%
 <u>Investment Returns</u>					
Annual money-weighted rate of return, net of investment expense	7.22%	-0.49%	5.72%	18.43%	10.32%

The notes to the required supplementary information are an integral part of this schedule.

COUNTY OF WARREN, PENNSYLVANIA
Schedule of County Contributions—Employees’ Retirement System
Years Ended December 31,

<u>Schedule of County Contributions</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Actuarially determined contribution	\$ 345,198	\$ 336,826	\$ 381,398	\$ 23,128	\$ 24,936
Contributions in relation to the actuarially determined contribution	<u>682,024</u>	<u>381,398</u>	<u>-</u>	<u>23,128</u>	<u>101,484</u>
Contribution deficiency (excess)	<u>\$ (336,826)</u>	<u>\$ (44,572)</u>	<u>\$ 381,398</u>	<u>\$ -</u>	<u>\$ (76,548)</u>
 Covered employee payroll	 <u>\$ 6,837,442</u>	 <u>\$ 7,266,950</u>	 <u>\$ 7,197,146</u>	 <u>\$ 7,783,637</u>	 <u>\$ 7,975,097</u>
 Contributions as a percentage of covered employee payroll	 9.97%	 5.25%	 0.00%	 0.30%	 1.27%
 <u>Investment Returns</u>					
Annual money-weighted rate of return, net of investment expense	1.34%	8.35%	24.63%	-25.34%	6.24%

The notes to the required supplementary information are an integral part of this schedule.

COUNTY OF WARREN, PENNSYLVANIA
Schedule of Revenues, Expenditures, and Changes in Fund Balances—
Budget and Actual—General Fund
Year Ended December 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 9,556,050	\$ 9,556,050	\$ 8,741,595	\$ (814,455)
Licenses and permits	21,900	21,900	25,453	3,553
Intergovernmental	2,315,630	2,315,630	2,598,983	283,353
Charges for services	1,561,933	1,561,933	1,892,423	330,490
Fines and forfeitures	104,600	104,600	121,456	16,856
Interest and investment income	4,285	4,285	5,632	1,347
Miscellaneous	202,266	202,266	237,828	35,562
Total revenues	<u>13,766,664</u>	<u>13,766,664</u>	<u>13,623,370</u>	<u>(143,294)</u>
EXPENDITURES				
Current:				
General government	5,022,495	5,022,495	4,791,741	230,754
Public safety	5,872,165	5,872,165	6,033,981	(161,816)
Public works	5,000	5,000	5,000	-
Human services	1,407,040	1,407,040	1,686,366	(279,326)
Culture and recreation	231,000	231,000	366,923	(135,923)
Conservation and development	119,553	119,553	624,108	(504,555)
Miscellaneous	383,250	383,250	107,722	275,528
Debt service:				
Interest	23,500	23,500	12,756	10,744
Total expenditures	<u>13,064,003</u>	<u>13,064,003</u>	<u>13,628,597</u>	<u>(564,594)</u>
Excess (deficiency) of revenues over expenditures	<u>702,661</u>	<u>702,661</u>	<u>(5,227)</u>	<u>(707,888)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	690,000	690,000	76,766	(613,234)
Transfers out	(177,900)	(177,900)	(174,971)	2,929
Total other financing sources (uses)	<u>512,100</u>	<u>512,100</u>	<u>(98,205)</u>	<u>(610,305)</u>
Net change in fund balances	1,214,761	1,214,761	(103,432)	(1,318,193)
Fund balances—beginning	4,052,230	4,052,230	4,052,230	-
Fund balances—ending	<u>\$ 5,266,991</u>	<u>\$ 5,266,991</u>	<u>\$ 3,948,798</u>	<u>\$ (1,318,193)</u>

The notes to the required supplementary information are an integral part of this schedule.

COUNTY OF WARREN, PENNSYLVANIA
Notes to the Required Supplementary Information
Year Ended December 31, 2016

1. BUDGETARY INFORMATION

Budgetary Basis of Accounting—Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America 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, 2016, unfavorable variances existed in the County’s General Fund appropriations. The General Fund has unfavorable variances of \$504,555 within conservation and development, \$279,326 within human services, \$161,816 within public safety, and \$135,923 within culture and recreation.

These unfavorable variances were the result of unanticipated spending and subsidies which were not included for in the original budget, nor were budgetary transfers completed. The General Fund exceed the budgeted appropriations in total for the year ended December 31, 2016.

2. PENSION INFORMATION

The following actuarial methods and assumptions were used in determining the contribution rate:

Actuarial valuation date	December 31, 2016
Actuarial cost method	Individual Entry Age Normal
Amortization method	Recognition Period
Remaining amortization period	20 Years
Asset valuation method	Fair Market Value
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases	2.50%
Underlying inflation rate	2.00%
Cost-of-living adjustments	None
Mortality table	RP-2000
Benefit changes	None
Change in actuarial assumptions	None

*** THIS PAGE INTENTIONALLY LEFT BLANK***

SUPPLEMENTARY INFORMATION

**** THIS PAGE INTENTIONALLY LEFT BLANK ****

COUNTY OF WARREN, PENNSYLVANIA
Combining Balance Sheet—Nonmajor Governmental Funds
December 31, 2016

	<u>Special Revenue</u>		<u>Total</u>
	<u>Other</u>	<u>Special</u>	<u>Nonmajor</u>
	<u>Governmental</u>	<u>Purpose</u>	<u>Funds</u>
ASSETS			
Cash and cash equivalents	\$ 748,278	\$ -	\$ 748,278
Restricted cash and cash equivalents	196,323	93,996	290,319
Receivables	301,594	-	301,594
Due from other funds	1,978	5,524	7,502
Total assets	<u>\$ 1,248,173</u>	<u>\$ 99,520</u>	<u>\$ 1,347,693</u>
LIABILITIES			
Accounts payable	\$ 30,741	\$ -	\$ 30,741
Due to other funds	112,624	-	112,624
Total liabilities	<u>143,365</u>	<u>-</u>	<u>143,365</u>
FUND BALANCES			
Restricted	287,711	99,520	387,231
Assigned	817,097	-	817,097
Total fund balances	<u>1,104,808</u>	<u>99,520</u>	<u>1,204,328</u>
Total liabilities and fund balances	<u>\$ 1,248,173</u>	<u>\$ 99,520</u>	<u>\$ 1,347,693</u>

COUNTY OF WARREN, PENNSYLVANIA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances—
Nonmajor Governmental Funds
Year Ended December 31, 2016

	<u>Special Revenue</u>		<u>Total Nonmajor Funds</u>
	<u>Other Governmental</u>	<u>Special Purpose</u>	
REVENUES			
Intergovernmental	\$ 1,427,740	\$ -	\$ 1,427,740
Charges for services	232,414	-	232,414
Interest and investment income	1,636	21	1,657
Miscellaneous	8,529	-	8,529
Total revenues	<u>1,670,319</u>	<u>21</u>	<u>1,670,340</u>
EXPENDITURES			
Current:			
General government	476,415	-	476,415
Public safety	1,056,159	702	1,056,861
Public works	176,581	-	176,581
Conservation and development	75,752	43,467	119,219
Miscellaneous	6,027	-	6,027
Total expenditures	<u>1,790,934</u>	<u>44,169</u>	<u>1,835,103</u>
Excess (deficiency) of revenues over expenditures	<u>(120,615)</u>	<u>(44,148)</u>	<u>(164,763)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	148,230	26,741	174,971
Transfers out	<u>(76,766)</u>	<u>-</u>	<u>(76,766)</u>
Total other financing sources (uses)	<u>71,464</u>	<u>26,741</u>	<u>98,205</u>
Net change in fund balances	(49,151)	(17,407)	(66,558)
Fund balances—beginning	<u>1,153,959</u>	<u>116,927</u>	<u>1,270,886</u>
Fund balances—ending	<u>\$ 1,104,808</u>	<u>\$ 99,520</u>	<u>\$ 1,204,328</u>

COUNTY OF WARREN, PENNSYLVANIA
Combining Balance Sheet—Special Revenue (Other Governmental) Funds
December 31, 2016

	<u>Liquid Fuels</u>	<u>DUI Program</u>	<u>Prothono- tary Auto- mation</u>	<u>Records Improve- ment</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>
ASSETS										
Cash and cash equivalents	\$ 44,998	\$ 125,555	\$ 15,785	\$ 247,020	\$ 1,736	\$ 29,367	\$ -	\$ 270,325	\$ 13,492	\$ 748,278
Restricted cash and cash equivalents	-	-	-	-	-	-	196,323	-	-	196,323
Receivables	-	10,084	-	1,300	-	8,383	199,138	82,689	-	301,594
Due from other funds	-	1,978	-	-	-	-	-	-	-	1,978
Total assets	<u>\$ 44,998</u>	<u>\$ 137,617</u>	<u>\$ 15,785</u>	<u>\$ 248,320</u>	<u>\$ 1,736</u>	<u>\$ 37,750</u>	<u>\$ 395,461</u>	<u>\$ 353,014</u>	<u>\$ 13,492</u>	<u>\$ 1,248,173</u>
LIABILITIES										
Accounts payable	\$ 14,170	\$ 448	\$ -	\$ -	\$ 1,901	\$ 1,368	\$ 12,150	\$ 704	\$ -	\$ 30,741
Due to other funds	-	-	-	-	-	1,208	95,600	15,816	-	112,624
Total liabilities	<u>14,170</u>	<u>448</u>	<u>-</u>	<u>-</u>	<u>1,901</u>	<u>2,576</u>	<u>107,750</u>	<u>16,520</u>	<u>-</u>	<u>143,365</u>
FUND BALANCES (DEFICIT)										
Restricted	-	-	-	-	-	-	287,711	-	-	287,711
Assigned	30,828	137,169	15,785	248,320	(165)	35,174	-	336,494	13,492	817,097
Total fund balances (deficit)	<u>30,828</u>	<u>137,169</u>	<u>15,785</u>	<u>248,320</u>	<u>(165)</u>	<u>35,174</u>	<u>287,711</u>	<u>336,494</u>	<u>13,492</u>	<u>1,104,808</u>
Total liabilities and fund balances	<u>\$ 44,998</u>	<u>\$ 137,617</u>	<u>\$ 15,785</u>	<u>\$ 248,320</u>	<u>\$ 1,736</u>	<u>\$ 37,750</u>	<u>\$ 395,461</u>	<u>\$ 353,014</u>	<u>\$ 13,492</u>	<u>\$ 1,248,173</u>

COUNTY OF WARREN, PENNSYLVANIA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit)—
Special Revenue (Other Governmental) Funds
Year Ended December 31, 2016

	<u>Liquid Fuels</u>	<u>DUI Program</u>	<u>Prothono- tary Auto- mation</u>	<u>Records Improve- ment</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>
REVENUES										
Intergovernmental	\$ 177,775	\$ -	\$ -	\$ -	\$ 88,184	\$ 12,187	\$ 799,578	\$ 350,016	\$ -	\$ 1,427,740
Charges for services	-	164,951	8,747	11,136	-	32,587	3,200	11,793	-	232,414
Interest and investment income	9	24	2	42	1	16	1,310	-	232	1,636
Miscellaneous	-	1,152	-	-	-	7,377	-	-	-	8,529
Total revenues	<u>177,784</u>	<u>166,127</u>	<u>8,749</u>	<u>11,178</u>	<u>88,185</u>	<u>52,167</u>	<u>804,088</u>	<u>361,809</u>	<u>232</u>	<u>1,670,319</u>
EXPENDITURES										
Current:										
General government	-	-	4,034	-	-	-	-	472,381	-	476,415
Public safety	-	115,999	-	-	-	29,522	910,638	-	-	1,056,159
Public works	176,581	-	-	-	-	-	-	-	-	176,581
Conservation and development	-	-	-	-	75,752	-	-	-	-	75,752
Miscellaneous	-	-	-	-	-	6,027	-	-	-	6,027
Total expenditures	<u>176,581</u>	<u>115,999</u>	<u>4,034</u>	<u>-</u>	<u>75,752</u>	<u>35,549</u>	<u>910,638</u>	<u>472,381</u>	<u>-</u>	<u>1,790,934</u>
Excess (deficiency) of revenues over expenditures	<u>1,203</u>	<u>50,128</u>	<u>4,715</u>	<u>11,178</u>	<u>12,433</u>	<u>16,618</u>	<u>(106,550)</u>	<u>(110,572)</u>	<u>232</u>	<u>(120,615)</u>
OTHER FINANCING SOURCES (USES)										
Transfers in	-	-	-	7,292	-	-	-	140,938	-	148,230
Transfers out	(159)	-	-	-	(71,764)	(4,843)	-	-	-	(76,766)
Total other financing sources (uses)	<u>(159)</u>	<u>-</u>	<u>-</u>	<u>7,292</u>	<u>(71,764)</u>	<u>(4,843)</u>	<u>-</u>	<u>140,938</u>	<u>-</u>	<u>71,464</u>
Net change in fund balances	1,044	50,128	4,715	18,470	(59,331)	11,775	(106,550)	30,366	232	(49,151)
Fund balances—beginning	<u>29,784</u>	<u>87,041</u>	<u>11,070</u>	<u>229,850</u>	<u>59,166</u>	<u>23,399</u>	<u>394,261</u>	<u>306,128</u>	<u>13,260</u>	<u>1,153,959</u>
Fund balances (deficit)—ending	<u>\$ 30,828</u>	<u>\$ 137,169</u>	<u>\$ 15,785</u>	<u>\$ 248,320</u>	<u>\$ (165)</u>	<u>\$ 35,174</u>	<u>\$ 287,711</u>	<u>\$ 336,494</u>	<u>\$ 13,492</u>	<u>\$ 1,104,808</u>

COUNTY OF WARREN, PENNSYLVANIA
Combining Balance Sheet—Special Revenue (Special Purpose) Funds
December 31, 2016

	Housing Trust	Juvenile Probation	Northwest Home Rehab	Total Special Purpose
ASSETS				
Restricted cash and cash equivalents	\$ 83,011	\$ 10,929	\$ 56	\$ 93,996
Receivables	-	-	-	-
Due from other funds	5,524	-	-	5,524
Total assets	<u>\$ 88,535</u>	<u>\$ 10,929</u>	<u>\$ 56</u>	<u>\$ 99,520</u>
FUND BALANCES				
Restricted	\$ 88,535	\$ 10,929	\$ 56	\$ 99,520
Total fund balances	<u>\$ 88,535</u>	<u>\$ 10,929</u>	<u>\$ 56</u>	<u>\$ 99,520</u>

COUNTY OF WARREN, PENNSYLVANIA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances—
Special Revenue (Special Purpose) Funds
Year Ended December 31, 2016

	<u>Housing Trust</u>	<u>Juvenile Probation</u>	<u>Northwest Home Rehab</u>	<u>Total Special Purpose</u>
REVENUES				
Interest and investment income	\$ 19	\$ 2	\$ -	\$ 21
Miscellaneous	-	-	-	-
Total revenues	<u>19</u>	<u>2</u>	<u>-</u>	<u>21</u>
EXPENDITURES				
Current:				
Public safety	-	702	-	702
Conservation and development	<u>43,467</u>	<u>-</u>	<u>-</u>	<u>43,467</u>
Total expenditures	<u>43,467</u>	<u>702</u>	<u>-</u>	<u>44,169</u>
Excess (deficiency) of revenues over expenditures	<u>(43,448)</u>	<u>(700)</u>	<u>-</u>	<u>(44,148)</u>
OTHER FINANCING SOURCES				
Transfers in	<u>26,741</u>	<u>-</u>	<u>-</u>	<u>26,741</u>
Total other financing sources	<u>26,741</u>	<u>-</u>	<u>-</u>	<u>26,741</u>
Net change in fund balances	(16,707)	(700)	-	(17,407)
Fund balances—beginning	<u>105,242</u>	<u>11,629</u>	<u>56</u>	<u>116,927</u>
Fund balances—ending	<u>\$ 88,535</u>	<u>\$ 10,929</u>	<u>\$ 56</u>	<u>\$ 99,520</u>

*** THIS PAGE INTENTIONALLY LEFT BLANK***