

COUNTY OF WARREN, PENNSYLVANIA

WARREN, PENNSYLVANIA

**FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017**

COUNTY OF WARREN, PENNSYLVANIA
YEAR ENDED DECEMBER 31, 2017

CONTENTS

	<u>Page</u>
Independent Auditor's Report	1-4
Management's Discussion and Analysis	5-15
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	16
Statement of Activities	17
Fund Financial Statements	
Balance Sheet - Governmental Funds	18
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	19
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	20
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
Statement of Fiduciary Net Position - Fiduciary Funds	22
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	23
Notes to Financial Statements	24-50
Required Supplemental Information	
Budgetary Comparison Schedule – General Fund	52
Schedule of Changes in the Net Pension Liability and Related Ratios	53
Schedule of Employer Contributions – Last 10 Years	54
Schedule of Investment Returns	55
Schedule of Funding Progress	56
Other Supplemental Information	
Combining Balance Sheet – Nonmajor Special Revenue Funds	58-59
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Special Revenue Funds	60-61



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Independent Auditor's Report

Board of Commissioners
County of Warren, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of COUNTY OF WARREN, PENNSYLVANIA, as of and for the year ended December 31, 2017, and the related notes to the financial statements which collectively comprise COUNTY OF WARREN, PENNSYLVANIA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

COUNTY OF WARREN, PENNSYLVANIA'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 Rouse Estate, which represent 100% of the assets, net position, and revenues of the discretely present component unit. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Rouse Estate, is based solely on the report of the other auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of Rouse Estate were not audited in accordance with *Government Auditing Standards*. 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 (1) our adverse audit opinion on the reporting entity; (2) our qualified audit opinion on the governmental activities; and (3) our unmodified audit opinion on the aggregate discretely presented component units, General Fund, Debt Service Fund, and aggregate remaining fund information.



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County of Warren
Page 2

Summary of Opinions

<i>Opinion Unit</i>	<i>Type of Opinion</i>
Governmental Activities	Qualified
Aggregate Discretely Presented Component Units	Unmodified
General Fund	Unmodified
Debt Service Fund	Unmodified
Forest Warren Human Services Fund	Adverse
Aggregate Remaining Fund Information	Unmodified

Basis for Adverse Opinion on Reporting Entity

Management has not included Forest Warren Human Services in COUNTY OF WARREN, PENNSYLVANIA's financial statements. Accounting principles generally accepted in the United States of America require Forest Warren Human Services to be presented as a major special revenue fund and financial information about Forest Warren Human Services to be part of the governmental activities, thus increasing that activity's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, revenues, and expenses, and changing its net position. The amount by which this departure would affect the assets, fund balances, liabilities, net position, revenues, expenditures, and expenses of the governmental activities and the omitted major fund is not reasonably determinable.

Adverse Opinion on Reporting Entity

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on Reporting Entity paragraph, the financial statements referred to previously do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial condition and activity of COUNTY OF WARREN, PENNSYLVANIA, as of December 31, 2017.

Basis for Qualified Opinion on Governmental Activities

Management has not maintained an up to date inventory of capital assets in governmental activities and, accordingly, has not kept updated ledger balances for capital assets, accumulated depreciation, and depreciation expense. Accounting principles generally accepted in the United States of America require that capital assets be capitalized and depreciated over the estimated useful lives of the assets in the governmental activities. The amount by which this departure would affect the assets, net position, and expenses of the governmental activities has not been determined.

Qualified Opinion on Governmental Activities

In our opinion, except for the effects of the matters discussed in the Basis for Qualified Opinion on Governmental Activities paragraph, the financial statements referred to previously present fairly, in all material respects, the financial position of the governmental activities of COUNTY OF WARREN, PENNSYLVANIA, as of December 31, 2017, 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.



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County of Warren
Page 3

Unmodified Opinions on Discretely Presented Component Unit, Major Funds, and Aggregate Remaining Fund Information

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the aggregate discretely presented component unit, the General Fund, the Debt Service Fund, and the aggregate remaining fund information of COUNTY OF WARREN, PENNSYLVANIA, as of December 31, 2017, 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.

Adoption of GASB Statements

As described in Note 1 to the financial statements, in 2017 the County adopted the provisions of GASB Statement 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", Statement No. 81, "Irrevocable Split Interest Agreements", and Statement No. 82, "Pension Issues an amendment of GASB Statements No. 67, No. 68, and No. 73. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedules of net pension liability, contributions and investment returns related to pension plans, and schedule of funding progress for other post-employment benefits (as listed in the table of contents as required supplemental information) 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 COUNTY OF WARREN, PENNSYLVANIA's basic financial statements. The combining nonmajor fund financial statements (as listed in the table of contents as other supplemental information) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.



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County of Warren
Page 4

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated May 20, 2019 on our consideration of COUNTY OF WARREN, PENNSYLVANIA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Zelenkofske Axlerod LLC

Zelenkofske Axlerod LLC

May 20, 2019
Pittsburgh, Pennsylvania

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2017

The COUNTY OF WARREN, hereafter referred to as the "COUNTY", is pleased to present its financial statements developed in compliance with Statement of Governmental Accounting Standard No. 34, entitled "Basic Financial Statements – Management's Discussion and Analysis – For State and Local Governments (hereafter "GASB 34"), and related standards. GASB 34 enhances information provided to the users of its financial statements. This section of the financial reporting package presents our discussion and analysis of the COUNTY's financial performance during the year that ended on December 31, 2017. Please read this Management Discussion and Analysis in conjunction with the COUNTY's financial statements that follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists of the following four parts:

- Management's discussion and analysis (this section)
- Basic financial statements (including notes)
- Required supplementary information
- Other supplementary information

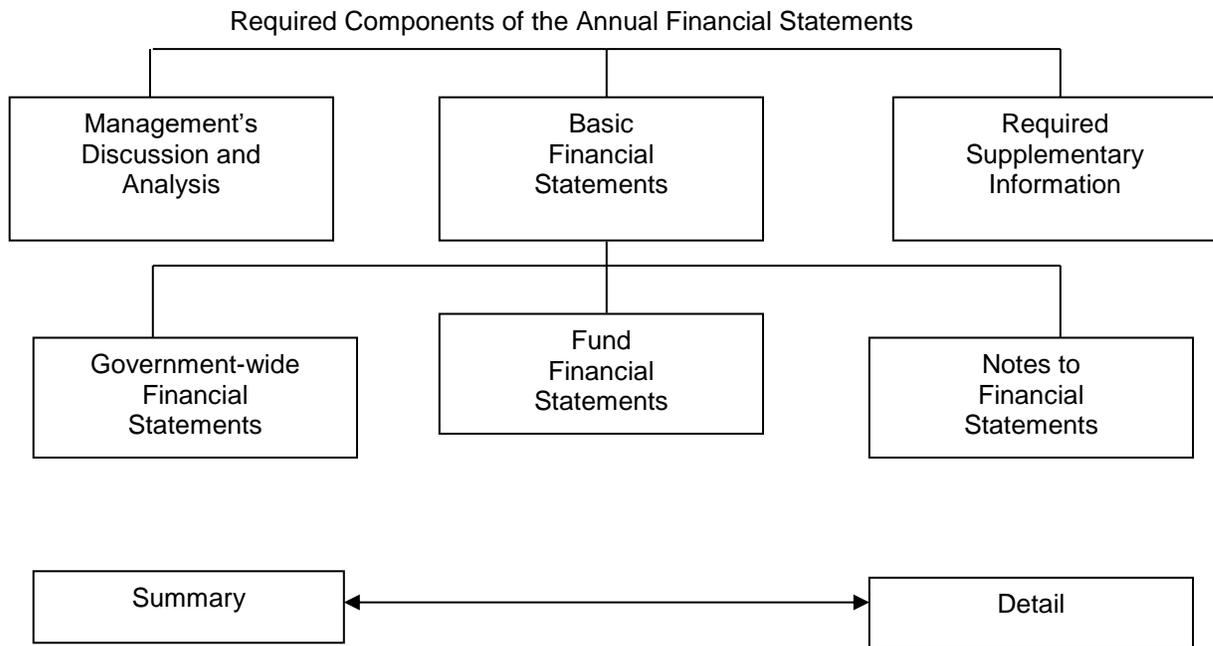
Management's discussion and analysis is a guide to reading the financial statements and provides related information to help the reader to better understand the COUNTY's government. The basic financial statements include notes that provide additional information essential to a full understanding of the financial data provided in the government-wide and fund financial statements. Required supplementary information is provided on the COUNTY's budget to actual figures for the general fund, schedule of changes in the net pension liability and related ratios, schedule of employer contributions- last 10 years, schedule of investment returns, and schedule of funding progress and employer contributions.

The basic financial statements present two different views of the COUNTY.

- *Government-wide financial statements*, the first two statements, provide information about the COUNTY's overall financial status as well as the financial status of the County's component unit.
- *Fund financial statements*, the remaining statements, focus on individual parts of the COUNTY's government. They provide more detail on operations than the government-wide statements. There are three types of fund financial statements:
 - *Governmental funds statements* show how general government services such as public safety, human services, public works, culture and recreation, and conservation and development are financed in the short term, as well as what remains for future spending.
 - *Fiduciary funds statements* reflect activities involving resources that are held by the COUNTY as a trustee or agent for the benefit of others. Fiduciary funds are not reflected in the government-wide statements because the resources cannot be used to support the COUNTY's programs.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017**

Table A-1: Organization of the County's annual financial report



**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017**

Table A-2 summarizes the major features of the County's financial statements, including the area of the County's activities they cover and the types of information they contain.

Table A-2: Major features of the government-wide and fund financial statements

	Government-wide Statements	Fund Financial Statements	
		Governmental	Fiduciary
Scope	Entire entity (except fiduciary funds)	The day-to-day operating activities of the County, such as public safety and courts	Instances in which the County administers resources on behalf of others
Required Financial Statements	-Statement of net position -Statement of activities	-Balance sheet -Statement of revenues, expenditures and changes in fund balances	-Statement of fiduciary net position -Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual	Modified Accrual	Accrual accounting and economic resources focus
Type of asset and liability information	All assets and liabilities, short-term and long-term	Current assets and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, short-term and long-term
Type of inflow and outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenue for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2017

The remainder of the overview explains the structure and contents of the government-wide and fund financial statements.

Government-wide financial statements

Government-wide financial statements report information about the COUNTY as a whole using accounting methods similar to those used by private-sector companies.

- The statement of net position includes all the COUNTY's assets and liabilities, except fiduciary funds, with the difference between the two reported as net position. This statement serves a purpose similar to that of the balance sheet of a private-sector business.
- The statement of activities focuses on how the COUNTY's net position changed during the year. Because it separates program revenue (revenue generated by specific programs through charges for services, grants and contributions) from general revenue (revenue provided by taxes and other sources not tied to a particular program), it shows to what extent each program has to rely on local taxes for funding.

All changes to net position are reported using the economic resources measurement focus and the accrual basis of accounting, which requires that revenues be reported when they are earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow.

Net position is one way to measure the COUNTY's financial position. Over time, increases or decreases in the COUNTY's net position are one indicator of whether the COUNTY's financial position is improving or deteriorating. However, other non-financial factors such as changes in the COUNTY's property tax base and general economic conditions must be considered to assess the overall position of the COUNTY.

The primary government and its component unit are included in the government-wide financial statements. Component units reflect the activities of the legally separate government entities over which the COUNTY can exercise influence and/or be obligated to provide financial support. The COUNTY has one discretely presented component unit that it reports in the financial statements – The Rouse Estate (the "Estate").

There is one category of activities for the primary government:

- *Governmental activities* include the COUNTY's basic services such as general government, judicial, public safety, public works, human services, culture and recreation, and conservation and development.

Net position of the governmental activities differ from the governmental fund balances because governmental fund level statements only report transactions using or providing current financial resources. Also, capital assets in the fund level statements are reported as expenditures when financial resources (money) are expended to purchase or build assets. Likewise, the financial resources that may have been borrowed are considered revenue when they are received. The principal and interest payments are both considered revenue when they are received. The principal and interest payments are both considered expenditures when paid. Depreciation is not calculated as it does not provide or reduce current financial resources. Finally, capital assets and long-term debt do not affect fund balances.

MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2017

Government wide statements are reported on the accrual basis of accounting that involves the following steps to format the statement of net position:

- Capitalize current outlays for capital assets
- Report long-term debt as a liability
- Depreciate capital assets and allocate the depreciation to the proper program/activities
- Allocate net position balances as follows:
 - Net investment in capital assets
 - Restricted net position are those with constraints placed on the use by external sources (creditors, grantors, contributors, or laws or regulations of governments) or imposed by law through constitutional provisions or enabling legislation
 - Unrestricted net position is net position that does not meet any of the above restrictions

Fund Financial Statements

Fund financial statements provide more detailed information on the COUNTY's most significant funds, not the COUNTY as a whole. Funds are accounting devices, i.e., a group of related accounts, the COUNTY uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by state law. Other funds are established to control and manage resources designated for specific purposes. Fund financial statements are reported using the modified accrual basis of accounting.

The COUNTY has two kinds of funds:

- *Governmental funds* include most of the COUNTY's basic services and focus on: (1) the flow in and out of cash and other financial assets that can readily be converted into cash, and: (2) the balances left at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting.

The relationship between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is described in a reconciliation that follows the governmental fund financial statements.

The COUNTY adopts an annual budget for the general fund, as required by state law. The County also adopts a budget for the capital projects and liquid fuels funds. A budgetary comparison of the COUNTY's general fund is presented as required supplementary information.

- *Fiduciary Funds* are for which the COUNTY is the trustee or fiduciary. These include certain agency funds, or clearing accounts for assets held by the COUNTY in its role as custodian until the funds are allocated to the private parties, organizations or government agencies to which they belong. The COUNTY is responsible to ensure the assets reported in these funds are used for their intended purposes. This fiduciary activity is reported in a separate statement of fiduciary net position. These funds are excluded from the COUNTY's government-wide financial statements because the COUNTY cannot use these assets to finance its operations. The fiduciary funds are reported using the accrual basis of accounting.

**MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2017**

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Net Position

The COUNTY's total assets were \$13,070,001 at December 31, 2017. Of this amount, \$5,805,508 were capital assets.

GASB No. 34 required that all capital assets, including infrastructure, be valued and reported within the governmental activities column of the government-wide financial statements, but allowed infrastructure to be added over several years. The COUNTY adopted the provisions of GASB 34 related to infrastructure on the retroactive basis.

Condensed Statement of Net Position – 2017/2016

	2017 Governmental Activities	2016 Governmental Activities
	<u> </u>	<u> </u>
Capital Assets	\$ 5,805,508	\$ 5,918,281
Other Assets	<u>7,264,493</u>	<u>7,756,832</u>
 Total Assets	 <u>\$ 13,070,001</u>	 <u>\$ 13,675,113</u>
 Deferred Outflows	 <u>\$ 1,073,650</u>	 <u>\$ 1,642,109</u>
Current Liabilities	\$ 1,269,361	\$ 1,978,606
Long-term Liabilities	<u>1,220,596</u>	<u>4,696,943</u>
 Total Liabilities	 <u>\$ 2,489,957</u>	 <u>\$ 6,675,549</u>
 Deferred Inflows	 <u>\$ 1,926,778</u>	 <u>\$ 405,066</u>
 Net Position:		
Net Investment in Capital Assets	\$ 5,154,274	\$ 3,224,243
Restricted Net Position	1,129,489	2,241,892
Unrestricted Net Position	<u>3,443,153</u>	<u>2,770,472</u>
 Total Net Position	 <u>\$ 9,726,916</u>	 <u>\$ 8,236,607</u>

MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2017

Change in Net Position

The following statement of activities represents the change in net position for the years ended December 31, 2017 and 2016. It shows revenues by source and expenses by function for governmental activities.

Condensed Statement of Activities

	2017 Governmental Activities	2016 Governmental Activities
Program Revenues:		
Charges for Services	\$ 2,211,750	\$ 2,685,774
Grants and Contributions	3,702,886	3,561,284
General Revenues:		
Taxes	10,916,643	9,716,289
Interest and Investment Income	8,980	11,422
Miscellaneous Revenue	164,578	42,462
Unrestricted Aid	-	240,821
Total Revenues	<u>\$ 17,004,837</u>	<u>\$ 16,258,052</u>
Expenses:		
General Government	\$ 7,546,799	\$ 5,563,658
Public Safety	5,545,401	7,299,194
Public Works	260,445	202,592
Human Services	1,558,231	1,761,593
Culture and Recreation	411,838	383,824
Conservation and Development	924,854	768,729
Miscellaneous	178,028	-
Interest Expense	90,336	99,529
Total Expenses	<u>16,515,932</u>	<u>16,079,119</u>
Change in Net Position	<u>488,905</u>	<u>178,933</u>
Net Position - January 1 (restated, Note 13)	<u>9,238,011</u>	<u>8,057,674</u>
Net Position - December 31	<u>\$ 9,726,916</u>	<u>\$ 8,236,607</u>

**MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2017**

Net Program Expenses

Net program expenses indicate the amount of support required from taxes and other general revenues for a program of the government. In 2017, taxes brought in \$10,916,643.

Net Cost of Governmental Activities

	2017 Total Cost of Services	2016 Total Cost of Services	2017 Net Cost of Services	2016 Net Cost of Services
Program:				
General Government	\$ 7,546,799	\$ 5,563,658	\$ (4,500,622)	\$ (4,327,553)
Public Safety	5,545,401	7,299,194	(3,767,002)	(4,343,082)
Public Works	260,445	202,592	(62,154)	(24,817)
Human Service	1,558,231	1,761,593	(963,432)	(779,204)
Culture and Recreation	411,838	383,824	(411,838)	(229,472)
Conservation and Development	924,854	768,729	(627,884)	(28,404)
Miscellaneous	178,028	-	(178,028)	-
Interest Expense	90,336	99,529	(90,336)	(99,529)
Total	\$ 16,515,932	\$ 16,079,119	\$ (10,601,296)	\$ (9,832,061)

The COUNTY relied on property taxes and other general revenues to fund 64.92% of its governmental activities in 2017.

Capital Assets

The COUNTY's investment in capital assets at December 31, 2017, net of accumulated depreciation, was \$5,805,508. Capital assets consist primarily of land, buildings and equipment. The following is a summary of capital assets at December 31, 2017 and 2016:

Capital Assets

	2017 Governmental Activities	2016 Governmental Activities
Land	\$ 272,234	\$ 272,234
Land Improvements	234,034	234,034
Building and Improvements	9,420,612	9,362,702
E-911 Communications System	1,704,654	1,704,654
Machinery and Equipment	5,447,798	5,246,210
Accumulated Depreciation	<u>(11,273,824)</u>	<u>(10,901,553)</u>
Total Net Capital Assets	\$ 5,805,508	\$ 5,918,281

Detailed information about the COUNTY's capital assets can be found in Note 5, Notes to the Financial Statements.

MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2017

Debt Administration

At December 31, 2017, the COUNTY had \$665,000 of debt outstanding. Debt decreased 75.86% from the previous year. The following is a summary of debt obligations for the 2017 calendar year:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<u>Governmental Activities</u>					
Bonds and Notes Payable:					
General Obligation Bonds	\$ 2,755,000	\$ -	\$ (2,090,000)	\$ 665,000	\$ 665,000
Total Bonds and Notes Payable	<u>2,755,000</u>	<u>-</u>	<u>(2,090,000)</u>	<u>665,000</u>	<u>665,000</u>
 Governmental Activities					
Long-Term Liabilities	<u>\$ 2,755,000</u>	<u>\$ -</u>	<u>\$ (2,090,000)</u>	<u>\$ 665,000</u>	<u>\$ 665,000</u>

See Note 8 for more information regarding long-term debt.

GOVERNMENTAL FUNDS

The COUNTY uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of governmental funds is to provide information on inflows, outflows, and balances of spendable resources. Such information is useful in assessing the COUNTY's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the COUNTY's net resources available for spending at the end of the year.

The COUNTY's governmental funds include the general fund and various special revenue funds. The general fund is the chief operating fund for the COUNTY. Special revenue funds are restricted to specific legislated use. The major funds are shown on the statement of revenues, expenditures and changes in fund balances in the financial statements.

**MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2017**

GOVERNMENTAL FUND REVENUES

Governmental fund revenues by source at December 31, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
Revenues:		
Taxes	\$ 10,914,723	\$ 9,700,900
Licenses and Permits	24,714	25,453
Intergovernmental Revenues	3,830,094	4,026,723
Charges for Services	1,924,439	2,124,837
Fines and Forfeitures	135,389	121,456
Interest and Investment Income	8,980	12,326
Miscellaneous	164,578	246,357
Operation Transfers In	<u>191,174</u>	<u>251,737</u>
Total Revenues	<u>\$ 17,194,091</u>	<u>\$ 16,509,789</u>

There are several factors relating to increases/decreases in revenues from 2017 to 2016. The County's change in revenue was primarily due to an increase in real estate taxes collected which was partially offset by lower intergovernmental revenues and miscellaneous revenue sources.

GOVERNMENTAL FUND EXPENDITURES

Governmental fund expenditures by function at December 31, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
Expenditures:		
General Government	\$ 7,695,326	\$ 5,268,906
Public Safety	5,524,846	7,090,842
Public Works	245,828	181,581
Human Services	1,530,962	1,686,366
Culture and Recreation	406,486	366,923
Conservation and Development	924,381	743,327
Miscellaneous	178,028	113,749
Debt Service	2,155,630	579,994
Operating Transfers Out	<u>191,174</u>	<u>251,737</u>
Total Expenditures	<u>\$ 18,852,661</u>	<u>\$ 16,283,425</u>

The County's change in revenue from 2016 to 2017 was primarily due to an increase in general government expenditures (including wages and insurance costs) as well as an increase in debt payments.

**MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2017**

GOVERNMENTAL FUND BALANCES

Ending balances for governmental funds and net position for proprietary funds at December 31, 2017 and 2016 were as follows:

<u>Fund</u>	<u>2017 Governmental Funds</u>	<u>2016 Governmental Funds</u>
General Fund	\$ 4,289,835	\$ 3,948,798
Debt Service Fund	162,827	1,884,217
Nonmajor Governmental Funds	<u>926,110</u>	<u>1,204,328</u>
Total	<u>\$ 5,378,772</u>	<u>\$ 7,037,343</u>

The reasons for the changes in governmental fund balances are explained above in the governmental funds revenues and expenditures sections.

BUDGETARY HIGHLIGHTS

The COUNTY adopts an annual appropriated budget for its general fund, capital improvements fund, and liquid fuels fund. Detailed information about the COUNTY's 2017 general fund budget can be found in Required Supplemental Information.

Overall the County general fund fell short of budgeted revenues by \$255,987. The general fund expenditures were under budget by \$828,198. Other financing sources (uses) had a negative budget variance of \$461,274. This showed an excess of revenue over expenditures of \$110,937. Numerous factors went into these results but mainly the management of the commissioners on the oversight on the budget was able to have these final results. The 2017 budget was completed for the General Fund. The general fund budget in 2017 had an opening balance of \$1,214,761. The real estate tax rate was 21.5 mills, with 1.0 mills applied to debt service.

ECONOMIC CONDITIONS AND NEXT YEAR'S BUDGET

The real estate tax rate was 21.5 mills, 1.0 mills applied to debt service.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the COUNTY's finances and to demonstrate the COUNTY's accountability. Questions concerning this financial information or requests for additional information should be directed to:

County of Warren
County Commissioners
204 4th Avenue
Warren, PA 16365

Phone: 814-728-3400

COUNTY OF WARREN, PENNSYLVANIA
STATEMENT OF NET POSITION
DECEMBER 31, 2017

	Primary Government Governmental Activities	Component Unit Rouse Estate
<u>Assets</u>		
Cash and Cash Equivalents	\$ 5,027,391	\$ 2,671,029
Restricted cash and cash equivalents	-	560,051
Investments	-	2,302,623
Receivables		
Taxes	1,276,625	-
Other accounts receivable	420,885	2,293,973
Estimated third party payor settlements	-	572,766
Prepaid Items	-	177,778
Other Assets	-	26,636
Net pension asset	539,592	-
Capital assets, not being depreciated	272,234	320,332
Capital assets, net of accumulated depreciation	5,533,274	9,837,006
Total Assets	<u>13,070,001</u>	<u>18,762,194</u>
<u>Deferred Outflow of Resources</u>		
Deferred charge on refunding	13,766	-
Deferred outflows - relating to pensions	1,059,884	-
Total deferred outflows of resources	<u>\$ 1,073,650</u>	<u>\$ -</u>
<u>Liabilities</u>		
Accounts Payable	\$ 252,000	\$ 264,948
Accrued Liabilities	345,295	1,245,186
Interest Payable	7,066	-
Unearned Revenue	-	533,256
Current portions of long-term liabilities	-	
Long-term debt	665,000	336,216
Non-current portions of long-term liabilities		
OPEB	1,220,596	-
Pension	-	7,769,355
Long-term debt	-	5,504,015
Total Liabilities	<u>2,489,957</u>	<u>15,652,976</u>
<u>Deferred Inflow of Resources</u>		
Deferred amounts from pension liability	1,926,778	-
<u>Net Position</u>		
Net Investment in Capital Assets	5,154,274	-
Restricted Net Position	1,129,489	1,665,302
Unrestricted	3,443,153	1,443,916
Total Net Position	<u>\$ 9,726,916</u>	<u>\$ 3,109,218</u>

The accompanying notes are an integral part of the financial statements.

COUNTY OF WARREN, PENNSYLVANIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Primary Government	Component Unit
Primary Government:					
Governmental Activities:					
General Government	\$ 7,546,799	\$ 1,323,386	\$ 1,722,791	\$ (4,500,622)	
Public Safety	5,545,401	888,364	890,035	(3,767,002)	
Public Works	260,445	-	198,291	(62,154)	
Human Services	1,558,231	-	594,799	(963,432)	
Culture and Recreation	411,838	-	-	(411,838)	
Conservation and Development	924,854	-	296,970	(627,884)	
Miscellaneous	178,028	-	-	(178,028)	
Interest and other fiscal charges	90,336	-	-	(90,336)	
Total Governmental Activities	<u>16,515,932</u>	<u>2,211,750</u>	<u>3,702,886</u>	<u>(10,601,296)</u>	
Total Primary Government	<u>\$ 16,515,932</u>	<u>\$ 2,211,750</u>	<u>\$ 3,702,886</u>	<u>\$ (10,601,296)</u>	
Component Unit:					
Rouse Estate	\$ 17,599,871	\$ 17,743,368	\$ 284,874		428,371
Total Component Units	<u>\$ 17,599,871</u>	<u>\$ 17,743,368</u>	<u>\$ 284,874</u>		<u>\$ 428,371</u>
General Revenues:					
Real Estate Taxes				10,742,258	-
Hotel Taxes				174,385	-
Interest and investment income				8,980	237,041
Miscellaneous				164,578	286,602
Total General Revenues				<u>11,090,201</u>	<u>523,643</u>
Change in Net Position				488,905	952,014
Net Position - Beginning (as restated - Note 13)				<u>9,238,011</u>	<u>2,157,204</u>
Net Position - Ending				<u>\$ 9,726,916</u>	<u>\$ 3,109,218</u>

The accompanying notes are an integral part of the financial statements.

COUNTY OF WARREN, PENNSYLVANIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	General Fund	Debt Service	Total Nonmajor Governmental Funds	Total Governmental Funds
<u>Assets</u>				
Cash and cash equivalents	\$ 3,832,516	\$ 162,827	1,032,048	\$ 5,027,391
Accounts Receivable	371,013	-	49,872	420,885
Taxes Receivable	1,276,625	-	-	1,276,625
Due from other funds	<u>126,303</u>	<u>-</u>	<u>13,700</u>	<u>140,003</u>
Total assets	<u>\$ 5,606,457</u>	<u>\$ 162,827</u>	<u>1,095,620</u>	<u>\$ 6,864,904</u>
<u>Liabilities</u>				
Accounts Payable	\$ 210,771	\$ -	\$ 41,229	\$ 252,000
Accrued liabilities	172,770	-	-	172,770
Due to other funds	<u>11,722</u>	<u>-</u>	<u>128,281</u>	<u>140,003</u>
Total liabilities	<u>395,263</u>	<u>-</u>	<u>169,510</u>	<u>564,773</u>
<u>Deferred Inflows of Resources</u>				
Unavailable revenue - property taxes	<u>921,359</u>	<u>-</u>	<u>-</u>	<u>921,359</u>
Total deferred inflows of resources	<u>921,359</u>	<u>-</u>	<u>-</u>	<u>921,359</u>
<u>Fund Balances</u>				
Restricted	22,343	162,827	944,319	1,129,489
Assigned	2,800,000	-	-	2,800,000
Unassigned	<u>1,467,492</u>	<u>-</u>	<u>(18,209)</u>	<u>1,449,283</u>
Total fund balances	<u>4,289,835</u>	<u>162,827</u>	<u>926,110</u>	<u>5,378,772</u>
Total liabilities and fund balances	<u>\$ 5,606,457</u>	<u>\$ 162,827</u>	<u>\$ 1,095,620</u>	<u>\$ 6,864,904</u>

The accompanying notes are an integral part of the financial statements.

COUNTY OF WARREN, PENNSYLVANIA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2017

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balances of governmental funds		\$	5,378,772
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$17,079,332 and the accumulated depreciation is \$11,273,824.			5,805,508
Revenues not available to pay for current period expenditures and therefore reported as unearned revenue in the funds:			
Real estate taxes			921,359
Net pension assets are not reported in the the funds:			539,592
Other post-employment obligations are not reported in the funds:			(1,220,596)
Deferred outflow of resources related to pensions is not reported in the funds			1,059,884
Deferred inflow of resources related to pensions is not reported in the funds			(1,926,778)
Long-term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities. Both current and long-term liabilities are reported in the Statement of Net Position. Long-term liabilities at year-end consist of:			
Long-term debt	(665,000)		
Accrued interest on long-term debt	(7,066)		
Unamortized deferred loss on refunding	<u>13,766</u>		(658,300)
Certain liabilities which are incurred but not recorded are not expected to be paid with current resources and are therefore not reported in the funds:			<u>(172,525)</u>
		\$	<u>9,726,916</u>

The accompanying notes are an integral part of the financial statements.

COUNTY OF WARREN, PENNSYLVANIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	General Fund	Debt Service	Total Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 10,496,266	\$ 418,457	\$ -	\$ 10,914,723
Licenses and permits	24,714	-	-	24,714
Intergovernmental revenue	2,239,622	-	1,590,472	3,830,094
Charges for services	1,741,230	-	183,209	1,924,439
Fines and forfeitures	135,389	-	-	135,389
Interest and investment income	6,074	2,306	600	8,980
Miscellaneous	164,578	-	-	164,578
Total Revenues	<u>14,807,873</u>	<u>420,763</u>	<u>1,774,281</u>	<u>17,002,917</u>
Expenditures				
Current operating:				
General government	6,533,822	1,750	1,159,754	7,695,326
Public safety	4,979,592	-	545,254	5,524,846
Public works	31,536	-	214,292	245,828
Human services	1,530,962	-	-	1,530,962
Culture and recreation	406,486	-	-	406,486
Conservation and development	608,065	-	316,316	924,381
Miscellaneous	169,972	-	8,056	178,028
Debt service				
Principal	-	2,090,000	-	2,090,000
Interest	15,227	50,403	-	65,630
Total Expenditures	<u>14,275,662</u>	<u>2,142,153</u>	<u>2,243,672</u>	<u>18,661,487</u>
Excess (deficiency) of revenues over expenditures	<u>532,211</u>	<u>(1,721,390)</u>	<u>(469,391)</u>	<u>(1,658,570)</u>
Other financing sources (uses)				
Transfers in	-	-	191,174	191,174
Transfers out	<u>(191,174)</u>	<u>-</u>	<u>-</u>	<u>(191,174)</u>
Total other financing sources (uses)	<u>(191,174)</u>	<u>-</u>	<u>191,174</u>	<u>-</u>
Net change in fund balance	341,037	(1,721,390)	(278,217)	(1,658,570)
Fund balances, beginning of year	<u>3,948,798</u>	<u>1,884,217</u>	<u>1,204,327</u>	<u>7,037,342</u>
Fund balances, end of year	<u>\$ 4,289,835</u>	<u>\$ 162,827</u>	<u>\$ 926,110</u>	<u>\$ 5,378,772</u>

The accompanying notes are an integral part of the financial statements.

COUNTY OF WARREN, PENNSYLVANIA
 RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2017

Amounts reported for governmental activities in the Statement of Activities are different because:

Net Change in fund balances - total governmental funds \$ (1,658,570)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.

Capital Outlays	259,498	
Depreciation expense	<u>(372,271)</u>	(112,773)

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. This amount is the net effect of these differences in the treatment of long-term debt.

Change in interest payable on long-term debt	22,490	
Amortization of deferred refunding loss on debt	(47,196)	
Principal repayments and payments to escrow agent for debt refunding	<u>2,090,000</u>	2,065,294

Real estate taxes reported in the funds include receipt of prior year delinquent taxes and do not include revenue attributable to the current year's delinquent tax receivable. This amount is the net effect of these differences.

Current year	921,359	
Prior year	<u>(919,439)</u>	1,920

Certain insurance claims are incurred by the County but not recorded. This is the net effect of the change in these claims amounts.

(54,930)

The change in net other post-employment benefit obligation and other related other post-employment benefit items does not require financial resources and is therefore not reported in the funds but shown as an expense in the statement of activities.

303,230

The change in the net pension asset and other pension related items does not require financial resources and is therefore not reported in the funds but is shown as an expense in the statement of activities.

(55,266)

Changes in net position of governmental activities

\$ 488,905

COUNTY OF WARREN, PENNSYLVANIA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2017

	Pension Trust Fund	Private Purpose Fund	Agency Fund	Total
<u>Assets</u>				
Cash and Cash Equivalents	\$ 621,600	\$ 1,415	\$ 720,938	\$ 1,343,953
Investments	35,310,101	1,409,835	-	36,719,936
Accounts Receivable	168,288	4,197	-	172,485
Total Assets	<u>\$ 36,099,989</u>	<u>\$ 1,415,447</u>	<u>\$ 720,938</u>	<u>\$ 38,236,374</u>
<u>Liabilities</u>				
Temporary withholding liabilities	\$ 81,422	-	\$ 720,938	\$ 802,360
Total Liabilities	<u>81,422</u>	<u>-</u>	<u>\$ 720,938</u>	<u>802,360</u>
<u>Net Position</u>				
Held in trust for pension benefits and other purposes	<u>36,018,567</u>	<u>1,415,447</u>		<u>37,434,014</u>
Total Net Position	<u>\$ 36,018,567</u>	<u>\$ 1,415,447</u>		<u>\$ 37,434,014</u>

The accompanying notes are an integral part of the financial statements.

COUNTY OF WARREN, PENNSYLVANIA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Pension Trust Fund	Private Purpose Fund	Total Fiduciary Funds
Additions:			
Contributions:			
Employee	\$ 711,263	\$ -	\$ 711,263
County Contribution	396,367	-	396,367
Other Contribution	-	951	951
Total contributions	<u>1,107,630</u>	<u>951</u>	<u>1,108,581</u>
Investment Income:			
Net appreciation in fair value of assets	3,674,527	186,028	3,860,555
Interest and Dividends	831,254	44,134	875,388
Miscellaneous	4,872	77	4,949
Less: investment expense	<u>(143,075)</u>	<u>(11,053)</u>	<u>(154,128)</u>
Total Investment Income	<u>4,367,578</u>	<u>219,186</u>	<u>4,586,764</u>
Total Additions	<u>5,475,208</u>	<u>220,137</u>	<u>5,695,345</u>
Deductions:			
Employee Benefits Paid	1,995,172	50,900	2,046,072
Administrative Expenses	11,750	35	11,785
Other deductions	-	6,312	6,312
Total Deductions	<u>2,006,922</u>	<u>57,247</u>	<u>2,064,169</u>
Change in Net Position	3,468,286	162,890	3,631,176
Net Position Held In Trust:			
Beginning of Year	<u>32,550,281</u>	<u>1,252,557</u>	<u>33,802,838</u>
End of Year	<u>\$ 36,018,567</u>	<u>\$ 1,415,447</u>	<u>\$ 37,434,014</u>

The accompanying notes are an integral part of the financial statements.

COUNTY OF WARREN, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the County's significant accounting policies consistently applied in the preparation of the accompanying financial statements is as follows:

The County of Warren (the "County") was formed in 1800. The County operates under the direction of an elected three member Board of Commissioners and provides the following services: general administrative services, tax assessment and collections, judicial, public improvements, public safety, public works, human services, and conservation and development. The accompanying financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") applicable to governmental units, as prescribed by the Governmental Accounting Standards Board ("GASB").

A) Reporting Entity

The County follows the criteria promulgated by the Governmental Auditing Standards Board ("GASB") No. 61 for purposes of determining the scope of its reporting entity. As required by accounting principles generally accepted in the United States of America, the financial statements include those of the County of Warren, Pennsylvania (the "Primary Government") and its Component Unit. The Component Unit discussed below is included in the County's financial reporting entity because of its operational or financial relationship with the County.

1. Component Unit

In conformity with GAAP, the financial statements of Component Units have been included in the financial reporting entity as a Discretely Presented Component Unit.

a. Discretely Presented Component Unit

In conformity with GAAP, the financial statements of the Component Unit described below have been included in the financial reporting entity as 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).

COUNTY OF WARREN, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A) Reporting Entity (Continued)

1. Component Unit (Continued)

a. Discretely Presented Component Unit (Continued)

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 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 fees 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, 2017.

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.

COUNTY OF WARREN, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A) Reporting Entity (Continued)

2. Related Parties

The Board of County Commissioners is also responsible for appointing the members of the governing boards of other organizations or the entities 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, or the County's accountability for the organizations does not extend beyond making the appointments. These organizations include:

- Warren County Industrial Development Authority
- Warren County Housing Authority
- Warren County Hospital Authority
- Warren County Transit Authority
- Bradford Regional Airport Authority

B) Government-Wide and Fund Financial Statements

The Government-wide financial statements (i.e., statement of net position, and the statement of activities) report information on all the non-fiduciary activities of the primary government and its component units. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business type activities, which rely, to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from its legally separate component units for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which direct expenses of a given function, or segment, are affected by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

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 that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major enterprise fund are reported as separate columns in the fund financial statements.

COUNTY OF WARREN, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow. 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.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available.

Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 365 days of the end of the current fiscal period with the exception of property taxes which must be received within 60 days of the year end to be deemed available. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Licenses, operating and capital grants, and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when the cash is received by the County.

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

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

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as other financing sources rather than as a fund liability. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

COUNTY OF WARREN, PENNSYLVANIA
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2017

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The County reports the following major governmental funds:

- The General Fund is the primary government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues of this fund are primarily derived from real estate taxes, state and federal grants, and fees for services. Many of the basic activities of the County are accounted for in this fund including operation of general County government, boards, commissions, the court system, and health and welfare services.
- The Debt Service Fund reports the activity of taxes collected which are dedicated to debt service and used to pay the debt service of the County.

Amounts paid to acquire capital assets are capitalized as assets in the fund financial statements, rather than reported as an expense. Proceeds of long-term debt are recorded as a liability in the fund financial statements, rather than as other financing sources. Amounts paid to reduce long-term indebtedness are reported as a reduction of the related liabilities, rather than an expense.

The County reports the following fiduciary fund types:

- *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.

D) Assets, Liabilities, and Net Position or Fund Balance

1. Cash and Cash Equivalents

The County considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

2. Investments

Investments of the County are reported at fair value. Investments that do not have an established market value are reported at estimated values.

COUNTY OF WARREN, PENNSYLVANIA
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2017

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D) Assets, Liabilities, and Net Position or Fund Balance (Continued)

3. Interfund Transactions

The County affects a variety of transactions between funds to finance operations. Certain interfund transactions have not been paid or received as of December 31, 2017, and appropriate interfund receivables or payables have been established accordingly.

4. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the governmental activity column in the government-wide financial statements. Property, plant and equipment with initial, individual costs that equal or exceed \$5,000 and estimated useful lives of over one year are recorded as capital assets. The County adopted the provisions of GASB 34 related to infrastructure on the retroactive basis. Capital assets are recorded at historical costs or estimated historical costs if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are completed.

Capital assets of the County are depreciated using the straight line method over the following intended useful lives:

<u>Asset</u>	<u>Years</u>
Buildings and Improvements	20-40
Equipment and Vehicles	5-15
Infrastructure	50

5. Long-Term Obligations

In the government-wide financial statements, long-term debt is reported as liabilities in the Statement of Net Position and bond discounts, premiums, and deferred losses on refundings are deferred and amortized over the life of the bonds using the straight line method.

In the fund financial statements, the face amount of debt issued is reported as other financing sources.

COUNTY OF WARREN, PENNSYLVANIA
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2017

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D) Assets, Liabilities, and Net Position or Fund Balance (Continued)

6. Unearned Revenues

Unearned revenues are reported in the government-wide and enterprise fund financial statements. Unearned revenues represent unearned revenues or revenues which are measurable but not available and, in accordance with the modified accrual basis of accounting, are reported as unearned revenues. The County deems revenues received within 365 days of year end to be available with the exception of property taxes which must be received within 60 days of year end to be deemed available.

7. Net Position/Fund Balances

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

- *Net Investment in Capital Assets* – This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- *Restricted Net Position* – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Position* – This category represents net position of the County, not restricted for any project or other purpose.

GASB Statement No. 54 establishes accounting and financial standards for all governments that report governmental funds. It establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions as follows:

- Non-spendable – This classification consists of accounts that cannot be spent because they are not in spendable form or are legally required to be maintained intact.
- Restricted – This classification consists of amounts that are restricted to specific purposes. The County's restricted fund balances consist of external enabling legislation for the state, federal, or local government.

COUNTY OF WARREN, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D) Assets, Liabilities, and Net Position or Fund Balance (Continued)

- Committed – This classification consists of amounts used for specific purposes imposed by formal action of the County's Board of Commissioners. The removal or modification of the use of committed funds can only be accomplished by a formal action of the Commissioners prior to fiscal year end.
- Assigned – This classification consists of amounts constrained by the County's intent to be used for specific purposes that are neither restricted or committed. The County Commissioners have delegated the authority to assign fund balance for specific purposes to the Director of Finance and Administration.
- Unassigned – This classification consists of amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund is the only fund permitted to report a positive unassigned fund balance.

The County's GASB 54 policy is to first apply expenditures against any restricted fund balances, committed fund balances, assigned fund balances, and then unassigned fund balances, in that order.

8. Accounting Estimates

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

9. Deferred Inflows of Resources

In addition to liabilities, the balance sheet 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. The government only has one type of item, which arises under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available. Deferred inflows of resources related to pensions are described further in Note 6. The annual difference between expected and actual experience is amortized over a 4.7 year period.

COUNTY OF WARREN, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

10. Deferred Outflows 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. The government only has one type of item, which arises under a modified accrual basis of accounting, that qualifies for reporting in this category. Deferred outflows of resources related to pensions are described further in Note 6. The components of deferred outflows of resources, other than the difference between the projected and actual investment earnings on investments, are amortized into pension expense over a 7.2 year closed period, which reflects the weighted average remaining service life of all members of the plan beginning the year in which the deferred amount occurs (current year). The annual difference between the projected and actual earnings on plan investments is amortized over a five-year closed period beginning the year in which the difference occurs (current year).

11. Adoption of Governmental Accounting Standards Board Statements

The County adopted the provisions of GASB Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans". The adoption of this statement had no effect on previously reported amounts.

The County adopted the provisions of GASB Statement No. 80, "Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14". The adoption of this statement had no effect on previously reported amounts.

The County adopted the provisions of GASB Statement No. 81, "Irrevocable Split-Interest Agreements". The adoption of this statement had no effect on previously reported amounts.

The County adopted the provisions of GASB Statement No. 82, "Pension Issues an amendment of GASB Statements No. 67, No. 68, and No. 73". The adoption of this statement had no effect on previously reported amounts.

12. Pending Changes in Accounting Principles

In June 2015, the GASB issued Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*". The County is required to adopt statement No. 75 for its calendar year 2018 financial statements.

In November 2017, the GASB issued Statement No. 83, "*Certain Asset Retirement Obligations*". The County is required to adopt statement No. 83 for its calendar year 2019 financial statements.

In January 2017, the GASB issued Statement No. 84, "*Fiduciary Activities*". The County is required to adopt statement No. 84 for its calendar year 2019 financial statements.

COUNTY OF WARREN, PENNSYLVANIA
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2017

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

12. Pending Changes in Accounting Principles (Continued)

In March 2017, the GASB issued Statement No. 85, “*Omnibus 2017*”. The County is required to adopt statement No. 85 for its calendar year 2018 financial statements.

In May 2017, the GASB issued Statement No. 86, “*Certain Debt Extinguishment Issues*”. The County is required to adopt statement No. 86 for its calendar year 2018 financial statements.

In June 2017, the GASB issued Statement No. 87, “*Leases*”. The County is required to adopt statement No. 87 for its calendar year 2020 financial statements.

In April 2018 the GASB issued Statement No. 88, “*Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*”. The County is required to adopt Statement No. 88 for its calendar year 2019 financial statements.

In June 2018 the GASB issued Statement No. 89, “*Accounting for Interest Cost Incurred before the End of Construction Period*”. The County is required to adopt Statement No. 89 for its calendar year 2020 financial statements.

In August 2018 the GASB issued Statement No. 90, “Majority Equity Interests— an amendment of GASB Statements No. 14 and No. 61”. The County is required to adopt Statement No. 90 for its calendar year 2019 financial statements.

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

E) Component Unit – Summary of Significant Accounting Policies

The Rouse Estate

Cash and Cash Equivalents

The Rouse Estate include investments in highly liquid debt instruments, purchased with an original maturity of three months or less, excluding assets whose use is limited.

Property

Property is stated at cost. Depreciation is provided on a straight-line basis over the estimated useful life of the respective asset which lives range from 5 to 125 years. Maintenance and repairs are charged to income as incurred and renewals and betterments are capitalized.

Accounting Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

COUNTY OF WARREN, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

NOTE 2: BUDGETARY DATA

Commonwealth of Pennsylvania statutes require that all County Governments establish budgetary systems and approve annual operating budgets. The County's annual budget relates to only the General Fund is based on estimates of revenues and expenditures approved by the Board of County Commissioners. The County of Warren adopted the 2017 budget on the same basis of accounting as reported in the fund financial statements. The County of Warren follows these procedures in establishing the budgetary data reflected in the financial statements:

County Budget Process

1. During the fall, preliminary individual budgets are prepared by each department or agency and are reviewed by the Commissioners and/or their designee.
2. During November, the County Commissioners, or their designee, communicate with the head of each department and agency to review proposed changes to the preliminary budget.
3. The County Commissioners, and/or their designee, reassembles the preliminary budget data and prepares a final budget draft including all proposed expenditures and the financing plan, incorporating any revisions or adjustments evolving from the departmental meetings and overall budget process.
4. In early December, the preliminary final budget is presented at a public Commissioners' meeting. In accordance with statutes contained in the County Code, public notice is given that the proposed budget is available for inspection for a twenty-day period.
5. Prior to December 31, after the twenty-day inspection period, the County Commissioners, at a public meeting properly announced, the final budget is adopted by resolution.
6. Formal budgeting integration is employed as a planning device. The budget adopted is on the modified accrual basis. Budget amounts are as originally adopted, or as amended by the County Commissioners.

- Level of Control

The County maintains budgeting control at the individual fund level.

- Lapsing of Appropriations

Unexpended appropriations lapse at year-end.

COUNTY OF WARREN, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

NOTE 3: DEPOSIT AND INVESTMENT RISK

Interest Rate Risk – The County does not have a formal investment policy for the County's operating funds 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.

Credit Risk – The County has no formal investment policy for its operating funds that addresses credit risk. The following is the County's credit quality ratings as of December 31, 2017:

	Credit	Percentage of
Fixed income	Aaa	22%
Fixed income	Aa1	1%
Fixed income	Aa2	3%
Fixed income	Aa3	4%
Fixed income	Below Aa3	70%

Custodial Credit Risk – For deposits and investments, custodial credit risk is the risk that in the event of the failure of the counterparty, the County will be able to recover the value of its investment or collateral securities that are in the possession of an outside party. As of December 31, 2017, the County's cash balances for its governmental activities and agency fund were \$5,748,329 and its bank balances were \$6,017,960. Of these bank balances, \$5,010,470 was collateralized with securities held by the pledging financial institutions, or by their trust departments or agents, but not in the County's name. The entire cash and cash equivalent balance in the Retirement Fund was collateralized with securities held by the pledging financial institutions, or by their trust departments or agents, but not in the County's name. None of the County's retirement investments were exposed to custodial credit risk at December 31, 2017 because the custodians hold the securities in an account that designates the County as the owner of the securities.

Concentration of Credit Risk – The County has no formal investment policy for operating investments pertaining to the concentration of credit risk. At December 31, 2017, the County had more than 5% of its investments in U/S/ Governmental Securities.

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

At December 31, 2017, the County had the following recurring fair value measurements:

<u>Investments measured by fair value level</u>	<u>12/31/2017</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificates of Deposit	\$ 1,418,389	\$ 1,418,389		
Corporate Bonds	4,067,495	4,067,495	-	-
U.S. Government Securities	4,211,788	4,211,788	-	-
Other Bonds	1,380,975	1,380,975	-	-
Common Stock	17,795,915	17,795,915	-	-
Mutal Funds	7,845,374	7,845,374	-	-
Total investments by fair value level	<u>\$ 36,719,936</u>	<u>\$ 36,719,936</u>	<u>\$ -</u>	<u>\$ -</u>

COUNTY OF WARREN, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

NOTE 4: PROPERTY TAXES

Real Estate Property Taxes

Real estate property taxes for the calendar year are levied in January of each year. Any unpaid real estate taxes attach as an enforceable lien on property as of May 1 of the following year. Taxes are levied on August 1 and payable with a 2% discount to September 30, with no discount or penalty to November 30, and with a 10% penalty from December 1 to April of the following year. In some instances certain tax collectors have been allowed to extend the discount and face value periods due to unusual office hours of these tax collectors by a few days. The County bills these taxes which are collected by local tax collectors.

The County is permitted by the County Code of the Commonwealth of Pennsylvania to levy real estate taxes up to 25 mills on every dollar of adjusted valuation for general County purposes exclusive of the requirements for the payment of interest and principal on bonded or funded debt. In 2017, the County had total millage of 21.5 mills, of which 1.0 mills was reserved for principal and interest on debt, and 20.5 mills for general County purposes.

The County's 2017 real estate taxes are based on assessed values established by the County's Assessment Department. Assessed values of real property are generally 50% of the market value as determined by the Warren County Tax Assessment Department. The total 2017 real estate taxes levied was \$10,575,270.06 based on a total County assessed valuation of \$491,873,026. Based on the 2017 levy of 21.5 mills, a property owner would pay \$21.50 per \$1,000 of assessed valuation.

COUNTY OF WARREN, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

NOTE 5: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017 was as follows:

GOVERNMENTAL ACTIVITIES	Beginning Balance	Increases	Decreases	Ending Balance
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	234,034	-		234,034
Building and Improvements	9,362,702	57,910		9,420,612
E-911 Communication System	1,704,654	-		1,704,654
Machinery and Equipment	5,246,210	201,588	-	5,447,798
Total Capital Assets, Being Depreciated	<u>16,547,600</u>	<u>259,498</u>	<u>-</u>	<u>16,807,098</u>
Less Accumulated Depreciation For:				
Land improvements	(210,523)	(15,602)	-	(226,125)
Building and Improvements	(5,322,524)	(234,068)		(5,556,592)
E-911 Communication System	(418,479)	(42,269)	-	(460,748)
Machinery and Equipment	(4,950,027)	(80,332)	-	(5,030,359)
Total Accumulated Depreciation	<u>(10,901,553)</u>	<u>(372,271)</u>	<u>-</u>	<u>(11,273,824)</u>
Total Capital Assets, Being Depreciated, Net	<u>5,646,047</u>	<u>(112,773)</u>	<u>-</u>	<u>5,533,274</u>
Governmental Activities Capital Assets, Net	<u>\$ 5,918,281</u>	<u>\$ (112,773)</u>	<u>\$ -</u>	<u>\$ 5,805,508</u>

COUNTY OF WARREN, PENNSYLVANIA
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2017

NOTE 5: CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions/programs of the primary government 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	<u>14,511</u>
 Total Depreciation Expense-Governmental Activities	 <u>\$ 372,271</u>

Component Unit – Capital AssetsRouse Estate

Capital assets and accumulated depreciation as of December 31, 2017 is as follows:

Rouse Estate	
Land	\$ 320,332
Buildings and improvements	24,054,362
Equipment and furniture	3,131,078
Automotive equipment	324,511
Construction in progress	<u>143,355</u>
 Total	 27,973,638
 Less accumulated depreciation	 <u>17,816,300</u>
 Capital Assets, net	 <u>\$ 10,157,338</u>

NOTE 6: EMPLOYEE RETIREMENT TRUST FUND

The Warren County Employee's Retirement System (the "Plan") is a single-employer defined benefit pension plan that covers all full time employees of the County. The Plan provides retirement, disability and death benefits to Plan members and their beneficiaries. The Plan is part of the County's financial reporting entity and is included in the County's financial statements as a Pension Trust Fund.

Summary of Significant Accounting Policies

Method used to value investments. Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Real estate assets are reported at fair value utilizing an income approach to valuation. An independent appraisal should be obtained once every year to determine the fair market value of the real estate assets.

COUNTY OF WARREN, PENNSYLVANIA
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2017

NOTE 6: EMPLOYEE RETIREMENT TRUST FUND (CONTINUED)

Description of Plan

Plan Administration. The Retirement Board administers the Plan. The Plan is governed by the 1971 County Pension Law, Act 96, of the General Assembly of the Commonwealth of Pennsylvania, as amended (the "Act"). Benefit and contribution provisions of the Plan are established and can be amended as provided by the Act. Cost of living adjustments are provided at the discretion of the County Retirement Board.

A Retirement Board consisting of three county commissioners, the chief clerk and the county treasurer administers the Plan. The Retirement Board has delegated the authority to manage plan assets to C.S. McKee, LP.

Plan membership. As of December 31, 2017 measurement period, pension plan membership consisted of the following:

Active Plan Members	205
Retirees and beneficiaries currently receiving benefits	189
Terminated Plan Members entitled to but not yet receiving benefits	<u>18</u>
	<u>412</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 Benefit- 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.

COUNTY OF WARREN, PENNSYLVANIA
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2017

NOTE 6: EMPLOYEE RETIREMENT TRUST FUND (CONTINUED)

Contributions

Plan members are required to contribute 7% of their annual covered salary. The County is required to contribute at an actuarially determined rate. Per Act 96 of 1971, as amended, contribution requirements of the plan members and the County are established and may be amended by the General Assembly of the Commonwealth of Pennsylvania. The actuarially determined rate is the estimated amount necessary to finance the costs of the benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. For the year ended December 31, 2017, the plan had deposits totaling \$1,107,630. This was comprised of member contributions of \$711,263 and County contributions of \$396,367.

Legally Required Reserves

At December 31, 2017, the County has a balance of \$10,025,663 in the Members' Annuity Reserve Account. This account is the total of the contributions deducted from the salaries of the active and terminated vested members of the retirement system and the IRC 414(h)(2) pickup contributions together with the interest additions as of December 31, 2017. Since these accumulations represent the present value as of December 31, 2017 of future benefits, the reserve balance and liability are identical.

The County has a balance of \$9,624,109 in the County Annuity Reserve Account as of December 31, 2017. This balance and the amounts expected to be credited in the future, plus investment earnings, represent the reserves set aside for the payment of the County's share of the retirement allowances and this reserve is fully funded.

This is the account out of which regular interest is credited to the member's annuity and retired members' reserve account, administrative expenses may be paid and the pension obligations of the County are funded.

When a County annuity is scheduled to commence for a particular member, sufficient monies are transferred from the County annuity reserve account to the retired members' reserve account to provide for such County annuities actually entered into.

The Retired Members' Reserve Account is the account out of which monthly retirement allowances, including cost-of-living adjustments and death benefits are paid. The balance in this account was \$16,368,795 as of December 31, 2017. The corresponding liability for those annuitants on the roll is identical.

Plan Reporting

Net Pension Liability of the County

The total pension liability was based on an actuarial valuation dated January 1, 2017 and update procedures were used to rollforward the total pension liability to the December 31, 2017 measurement date. The components of the net pension liability of the County for the 2017 measurement period were as follows:

Total Pension Liability	\$ 35,478,975
Plan Fiduciary Net Position	<u>36,018,567</u>
Net Position Liability	<u>\$ (539,592)</u>

Plan Fiduciary net position as a percentage of the total pension liability	101.52%
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COUNTY OF WARREN, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

NOTE 6: EMPLOYEE RETIREMENT TRUST FUND (CONTINUED)

Changes in the County's net pension liability for the plan for the year ended December 31, 2017 were as follows:

	Increase/(Decrease)		
	Total Pension		Net Pension
	Liability	Plan Fiduciary	Liability
	(a)	Net Position (b)	(a) - (b)
Balances at 12/31/2016	\$ 33,998,398	\$ 32,550,281	\$ 1,448,117
Service Cost	1,046,006	-	1,046,006
Interest Cost	2,547,276	-	2,547,276
Changes in Benefit Terms	-	-	-
Changes for Experience	(117,533)	-	(117,533)
Changes of Assumptions	-	-	-
Contributions - Employer	-	396,367	(396,367)
Contributions - Member	-	711,263	(711,263)
Net Investment Income	-	4,367,578	(4,367,578)
Benefit Payments, including Refunds of Member Contributions	(1,995,172)	(1,995,172)	-
Administrative Expenses	-	(11,750)	11,750
Net Changes	<u>\$ 1,480,577</u>	<u>\$ 3,468,286</u>	<u>\$ (1,987,709)</u>
Balances at 12/31/2017	<u>\$ 35,478,975</u>	<u>\$ 36,018,567</u>	<u>\$ (539,592)</u>

Deferred (Inflows) Outflows of Resources

The total pension expense recognized in 2017 for the plan was \$451,633. At December 31, 2017, the County reported deferred outflows of resources related to the pension plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 358,753
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	1,059,884	1,568,025
Total	<u>\$ 1,059,884</u>	<u>\$ 1,926,778</u>

COUNTY OF WARREN, PENNSYLVANIA
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2017

NOTE 6: EMPLOYEE RETIREMENT TRUST FUND (CONTINUED)

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

Year ended December 31:	Governmental Activities
2018	\$ (34,589)
2019	1,713
2020	(432,802)
2021	(401,216)
	<u>\$ (866,894)</u>

Plan Actuarial Methods and Assumptions

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of December 31, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.0 percent
Salary increases	2.5 percent, average, including inflation
Investment rate of return	7.5 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Mortality Tables 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 Plan. For the period ended December 31, 2017, the recognition period was calculated to be 4.34 years.

Asset Allocation

The following was the Board's asset allocation policy for the 2017 measurement period:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity	50%
International equity	10%
Fixed income	<u>40%</u>
Total	<u>100%</u>

COUNTY OF WARREN, PENNSYLVANIA
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2017

NOTE 6: EMPLOYEE RETIREMENT TRUST FUND (CONTINUED)

GASB Recognition Period (Continued)

The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation for the 2017 measurement period (see the discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	6.6 – 7.8%
International equity	7.0 – 7.7
Fixed income	3.6 – 4.5

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 Plan'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.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the County, calculated using the discount rate of 7.5%, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher than the current rate:

	1% Decrease <u>(6.5%)</u>	Current Discount Rate <u>(7.5%)</u>	1% Increase <u>(8.5%)</u>
County's net pension liability	\$2,045,694	\$(539,592)	\$(2,745,384)

COUNTY OF WARREN, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

NOTE 6: EMPLOYEE RETIREMENT TRUST FUND (CONTINUED)

Plan Actuarial Methods and Assumptions (Continued)

Rate of Return

For the 2017 measurement period, the annual money-weighted rate of return on Plan investments, net of Plan investment expense, was 13.61 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Component Unit – Retirement Plan

Rouse Estate

The Rouse Estate adopted a retirement plan covering substantially all employees of the Estate effective January 1, 1972. 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.

There is no vesting until the completion of five years of service, at which time vesting is 100%. Contributions for 2017 amounted to \$473,874.

NOTE 7: OTHER POST-EMPLOYMENT BENEFITS

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, 2017.

COUNTY OF WARREN, PENNSYLVANIA
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2017

NOTE 7: OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Annual OPEB Cost and Net OPEB Obligation

The County's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation to the plan:

	Governmental Activities
Annual Required Contribution	\$ 618,073
Interest on Net OPEB Obligation	69,503
ARC Adjustment	(289,848)
Annual OPEB Cost	397,728
Contributions made	700,958
Net Decrease in Net OPEB Obligation	(303,230)
Net OPEB Obligation, beginning of year	1,523,826
Net OPEB Obligation, end of year	\$ 1,220,596

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 is as follows:

Year Ended December 31,	Annual OPEB Cost	Contributions Made	Percentage Contributed	Net OPEB Obligation
2015	\$ 527,293	\$ 609,899	116%	\$ 1,625,221
2016	538,999	640,394	119%	1,523,826
2017	397,728	700,958	176%	1,220,596

COUNTY OF WARREN, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

NOTE 7: OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Funded Status and Funding Progress

As of December 31, 2017 the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$8,312,146 and there were no assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$8,312,146, which is 107% of the covered payroll of \$7,773,061 as of December 31, 2017.

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.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with long-term perspective of the calculations.

In the December 31, 2017 actuarial valuation, the Projected Unit Credit cost method expressed as a level dollar was used. The actuarial assumptions included a 5% investment rate of return, which is the expected long-term investment yield on investments that are expected to be used to finance the payments of benefits. 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, 2017 was determined to be a weighted average of 11.24 years based on active employees versus retirees.

COUNTY OF WARREN, PENNSYLVANIA
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2017

NOTE 8: LONG-TERM OBLIGATIONS

A summary of changes in long-term debt obligations for 2017 is as follows:

<u>Description</u>	<u>Balance 1/1/2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2017</u>	<u>Amounts Due Within One Year</u>
Governmental activities:					
General public improvements	\$ 2,755,000	\$ -	\$ 2,090,000	\$ 665,000	\$ 665,000
Total governmental activities	<u>\$ 2,755,000</u>	<u>\$ -</u>	<u>\$ 2,090,000</u>	<u>\$ 665,000</u>	<u>\$ 665,000</u>

An analysis of debt service requirements to maturity for the governmental activities on these obligations follows:

<u>Governmental Activities</u>	<u>Principal Requirements</u>	<u>Interest Requirements</u>	<u>Total Debt Service Requirements</u>
Year Ended December 31			
2018	\$ 665,000	\$ 14,132	\$ 679,132
Total	<u>\$ 665,000</u>	<u>\$ 14,132</u>	<u>\$ 679,132</u>

The Debt Service Fund makes all payments on the outstanding debt.

Pertinent information regarding long-term debt obligations outstanding is presented below:

<u>Governmental Activities</u>	<u>Amount of Original Issue</u>	<u>Purpose</u>	<u>Balance Outstanding December 31, 2017</u>
Series A of 2011	\$ 5,190,000	To refinance and consolidate existing outstanding debt. The bonds have variable interest rates final maturity in December of 2018.	\$ 665,000
			<u>\$ 665,000</u>

COUNTY OF WARREN, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

NOTE 8: LONG-TERM OBLIGATIONS (CONTINUED)

Component UnitRouse Estate

An analysis of debt service requirements to maturity on these obligations follows:

	Balance as of December 31, 2016	Additions	Reductions	Balance as of December 31, 2017	Amounts Due Within One Year
Construction and Mortgage Refinance	\$ 4,036,971	\$ 2,114,052	\$ (269,968)	\$ 5,881,055	\$ 336,216
Total Long-Term Debt	<u>\$ 4,036,971</u>	<u>\$ 2,114,052</u>	<u>\$ (269,968)</u>	5,881,055	<u>\$ 336,216</u>
			Less deferred financing costs	<u>(40,824)</u>	
			Long-term debt, net	<u>\$ 5,840,231</u>	

<u>Year Ended December 31</u>	<u>Principal Payments</u>
2018	\$ 336,216
2019	329,330
2020	330,204
2021	331,136
2022	332,098
Thereafter	<u>4,222,071</u>
Total	<u>\$ 5,881,055</u>

NOTE 9: INTERFUND RECEIVABLES AND PAYABLES

Certain funds have paid the expenditures of the other funds and the amounts have not been repaid at year end, resulting in interfund balances. Interfund receivable and payable balances of each fund as of December 31, 2017, are as follows:

<u>Governmental Fund Types</u>	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 126,303	\$ 11,722
Other Non-Major Governmental Fund Type	13,700	128,281
Total Interfund Balances	<u>\$ 140,003</u>	<u>\$ 140,003</u>

The outstanding balances between the funds result mainly from the time lag between the dates that (1) interfund goods and services are provided, (2) reimbursable expenditures occur, and (3) payments between funds are made.

COUNTY OF WARREN, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

NOTE 10: INTERFUND OPERATING TRANSFERS

Interfund operating transfers are as follows:

<u>Governmental Fund Types</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 191,174
Other Non-Major Governmental Funds	191,174	-
Total Interfund Transfers	<u>\$ 191,174</u>	<u>\$ 191,174</u>

Certain funds are required to fund a portion or all of the expenses of other funds or cover deficits in those funds. The County records operating transfers to account for these transactions.

NOTE 11: FUND BALANCES

Under GASB 54, fund balances are recorded as non-spendable, restricted, committed, assigned, and unassigned. The following fund balances are recorded on the fund level of the financial statements:

<u>Fund:</u>	<u>Fund Balance:</u>	<u>Balances</u>
Major Funds		
General Fund	<u>Restricted Funds:</u>	
	These funds are restricted for Culture and Recreation from Hotel Tax revenues	\$ 22,343
	<u>Assigned Funds:</u>	
	These funds are assigned for future capital projects	2,800,000
Debt Service Fund	<u>Restricted Funds:</u>	
	These funds are restricted for future debt service	162,827
Non-Major Governmental Funds	<u>Restricted Funds:</u>	
	These funds are restricted for purposes of General Government	685,434
	These funds are restricted for purposes of Public Safety	156,795
	These funds are restricted for purposes of Public Works	14,839
	These funds are restricted for purposes of Conservation and Development	<u>87,251</u>
		\$ 944,319

The E-911 nonmajor special revenue fund has a deficit fund balance of (\$18,209) as of December 31, 2017. The deficit is expected to be covered by the General Fund.

NOTE 12: LITIGATION

The County is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the County's financial statements.

COUNTY OF WARREN, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

NOTE 13: RESTATEMENT OF NET POSITION

Governmental activities net position was restated to correct the following errors:

	Governmental Activities	Component Units
Beginning net position, as previously reported	\$ 8,236,607	\$ 6,059,680
To record delinquent real estate taxes owed to the county	919,439	-
Removal of portion of IBNR belonging to Component Unit	81,965	-
Removal of Warren County Library Association as a Component Unit in accordance with GASB Statement No. 61	-	(3,902,476)
Beginning net position, as restated	\$ 9,238,011	\$ 2,157,204

NOTE 14: SUBSEQUENT EVENTS

In June of 2018 the County entered into a capital lease agreement with Motorola Solutions for emergency communications equipment. The agreement calls for 10 annual payments of principle and interest beginning in September of 2019, with each payment totaling \$233,117, with a total contract commitment of \$2,331,167.

In January of 2019 the County entered into an agreement with ABM Building Solutions, LLC to provide energy efficiency improvements to the County Courthouse and other County owned buildings. The purchase price of the improvements is \$2,691,130.

The County has evaluated subsequent events through May 20, 2019, which is the date the financial statements were available to be issued.

**REQUIRED
SUPPLEMENTAL
INFORMATION**

COUNTY OF WARREN, PENNSYLVANIA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 10,939,210	\$ 10,939,210	\$ 10,496,266	\$ (442,944)
Licenses and permits	22,550	22,550	24,714	2,164
Intergovernmental grants	2,231,963	2,231,963	2,239,622	7,659
Charges for services	1,674,300	1,674,300	1,741,230	66,930
Fines and forfeitures	100,500	100,500	135,389	34,889
Interest and investment income	4,657	4,657	6,074	1,417
Miscellaneous	90,680	90,680	164,578	73,898
Total Revenues	<u>15,063,860</u>	<u>15,063,860</u>	<u>14,807,873</u>	<u>(255,987)</u>
Expenditures				
Current operating:				
General government	5,331,136	5,331,136	6,533,822	(1,202,686)
Public safety	6,362,673	6,362,673	4,979,592	1,383,081
Public works	31,536	31,536	31,536	-
Human services	1,200,156	1,200,156	1,530,962	(330,806)
Culture and recreation	231,000	231,000	406,486	(175,486)
Conservation and development	1,040,368	1,040,368	608,065	432,303
Miscellaneous	866,991	866,991	169,972	697,019
Debt service (Interest)	40,000	40,000	15,227	24,773
Total Expenditures	<u>15,103,860</u>	<u>15,103,860</u>	<u>14,275,662</u>	<u>828,198</u>
Excess (deficiency) of revenues over expenditures				
	<u>(40,000)</u>	<u>(40,000)</u>	<u>532,211</u>	<u>572,211</u>
Other financing sources (uses)				
Transfers in	460,000	460,000	-	(460,000)
Transfers out	<u>(189,900)</u>	<u>(189,900)</u>	<u>(191,174)</u>	<u>(1,274)</u>
Total other financing sources (uses)	<u>270,100</u>	<u>270,100</u>	<u>(191,174)</u>	<u>(461,274)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses				
	<u>\$ 230,100</u>	<u>\$ 230,100</u>	<u>\$ 341,037</u>	<u>\$ 110,937</u>

COUNTY OF WARREN, PENNSYLVANIA
 REQUIRED SUPPLEMENTAL INFORMATION
 SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Total pension liability				
Service Cost	\$ 910,312	\$ 946,408	\$ 984,272	\$ 1,046,006
Interest	2,301,850	2,337,162	2,449,208	2,547,276
Differences between expected and actual experience	(1,188,108)	(238,710)	(358,123)	(117,533)
Benefits payments, including refunds of member contributions	(1,652,819)	(1,535,604)	(1,633,746)	(1,995,172)
Net change in total pension liability	371,235	1,509,256	1,441,611	1,480,577
Total pension liability - beginning	30,676,296	31,047,531	32,556,787	33,998,398
Total pension liability - ending (a)	<u>\$ 31,047,531</u>	<u>\$ 32,556,787</u>	<u>\$ 33,998,398</u>	<u>\$ 35,478,975</u>
Plan fiduciary net position				
Contributions - employer	\$ 246,976	\$ 206,224	\$ 360,606	\$ 396,367
Contributions - employee	619,927	642,114	671,855	711,263
Net investment income	1,750,895	(155,093)	2,211,639	4,367,578
Benefit payments, including refunds of employee contributions	(1,652,819)	(1,535,604)	(1,633,746)	(1,995,172)
Administrative expense	(17,350)	(149,347)	(12,600)	(11,750)
Net change in plan fiduciary position	947,629	(991,706)	1,597,754	3,468,286
Plan fiduciary net position - beginning	30,996,604	31,944,233	30,952,527	32,550,281
Plan fiduciary net position - ending (b)	<u>\$ 31,944,233</u>	<u>\$ 30,952,527</u>	<u>\$ 32,550,281</u>	<u>\$ 36,018,567</u>
County's net pension liability - ending (a) - (b)	<u>\$ (896,702)</u>	<u>\$ 1,604,260</u>	<u>\$ 1,448,117</u>	<u>\$ (539,592)</u>
Plan fiduciary net position as a percentage of the total pension liability	102.89%	95.07%	95.74%	101.52%
Covered - employee payroll	\$ 7,250,218	\$ 7,467,688	\$ 7,916,393	\$ 7,998,822
County net pension liability as a percentage of covered - employee payroll	-12.37%	21.48%	18.29%	-6.75%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, pension plans should present information for those years for which information is available.

COUNTY OF WARREN, PENNSYLVANIA
 REQUIRED SUPPLEMENTAL INFORMATION
 SCHEDULE OF EMPLOYER CONTRIBUTIONS - LAST 10 YEARS

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Actuarially determined contribution	\$ 246,976	\$ 206,224	\$ 360,606	\$ 396,367
Contributions in relation to the actuarially determined contribution	<u>246,976</u>	<u>206,224</u>	<u>360,606</u>	<u>396,367</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered - employee payroll	7,250,218	7,467,688	7,916,393	7,998,822
Contributions as a percentage of covered - employee payroll	3.41%	2.76%	4.56%	4.96%

Notes to Schedule

Valuation date: January 1, 2015 January 1, 2016 January 1, 2017 January 1, 2018

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Recognition Period
Remaining amortization period	15 years
Asset valuation method	Fair-Market Value
Inflation	2.00%
Salary increases	2.50%
Investment rate of return	7.50% net of pension plan investment expense, including inflation
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
Mortality	RP-2000 Mortality Table for Males and Females, as appropriate, with adjustments for mortality improvements based on Scale AA

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information for those years for which information is available is shown.

COUNTY OF WARREN, PENNSYLVANIA
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF INVESTMENT RETURNS

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	5.72%	-0.49%	7.22%	13.61%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, pension plans should present information for those years for which information is available.

COUNTY OF WARREN, PENNSYLVANIA
 REQUIRED SUPPLEMENTAL INFORMATION
 SCHEDULE OF FUNDING PROGRESS - OTHER POST EMPLOYMENT BENEFITS PLAN
 FOR THE YEAR ENDED DECEMBER 31, 2017

Schedule of Funding Progress for Post Employment Benefits other than Pensions

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
12/31/2013	\$	-	\$ 5,650,980	0.00%	\$ 6,680,925	84.58%
12/31/2015		-	5,309,775	0.00%	7,165,323	74.10%
12/31/2017		-	8,312,146	0.00%	7,773,061	106.94%

**OTHER
SUPPLEMENTAL
INFORMATION**

COUNTY OF WARREN, PENNSYLVANIA
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 DECEMBER 31, 2017

	Liquid Fuels	DUI	Orphan Fund	Prothonotary	Records Improvement	Housing Trust	Small Communities	Hazmat
<hr/> Assets <hr/>								
Cash and cash equivalents	\$ 37,407	\$ 137,553	\$ 13,741	\$ 20,000	\$ 268,493	\$ 80,756	\$ 296	\$ 13,891
Receivables	-	-	-	-	-	-	-	-
Due from other funds	-	1,978	-	-	-	11,722	-	-
Total assets	\$ 37,407	\$ 139,531	\$ 13,741	\$ 20,000	\$ 268,493	\$ 92,478	\$ 296	\$ 13,891
<hr/> Liabilities <hr/>								
Accounts payable	\$ 22,568	\$ 4,797	\$ -	\$ 5,800	\$ -	\$ 5,523	\$ -	\$ 595
Due to other funds	-	-	-	-	6,198	-	-	1,208
Total liabilities	22,568	4,797	-	5,800	6,198	5,523	-	1,803
<hr/> Fund Balance (Deficit) <hr/>								
Fund balance (deficit):								
Restricted	14,839	134,734	13,741	14,200	262,295	86,955	296	12,088
Unassigned	-	-	-	-	-	-	-	-
Total fund balance (deficit)	14,839	134,734	13,741	14,200	262,295	86,955	296	12,088
Total liabilities and fund balance	\$ 37,407	\$ 139,531	\$ 13,741	\$ 20,000	\$ 268,493	\$ 92,478	\$ 296	\$ 13,891

COUNTY OF WARREN, PENNSYLVANIA
 COMBINING BALANCE SHEET (CONTINUED)
 NONMAJOR SPECIAL REVENUE FUNDS
 DECEMBER 31, 2017

Assets	Juvenile Probation	Northwest Home Rehab Program	E-911	Domestic Relations	Total
Cash and cash equivalents	\$ 9,973	\$ -	\$ 88,768	\$ 361,170	\$ 1,032,048
Receivables	-	-	-	49,872	49,872
Due from other funds	-	-	-	-	13,700
Total assets	\$ 9,973	\$ -	\$ 88,768	\$ 411,042	\$ 1,095,620
Liabilities					
Accounts payable	\$ -	\$ -	\$ 1,924	\$ 22	\$ 41,229
Due to other funds	-	-	105,053	15,822	128,281
Total liabilities	-	-	106,977	15,844	169,510
Fund Balance (Deficit)					
Fund balance (deficit):					
Restricted	9,973	-	-	395,198	944,319
Unassigned	-	-	(18,209)	-	(18,209)
Total fund balance (deficit)	9,973	-	(18,209)	395,198	926,110
Total liabilities and fund balance	\$ 9,973	\$ -	\$ 88,768	\$ 411,042	\$ 1,095,620

COUNTY OF WARREN, PENNSYLVANIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (DEFICIT)
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2017

	Liquid Fuels	DUI	Orphan Fund	Prothonotary	Records Improvement	Housing Trust	Small Communities	Hazmat
Revenues								
Intergovernmental	\$ 198,291	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 286,662	\$ -
Charges for services	-	139,384	225	6,463	13,293	-	-	17,550
Interest and investment income	12	29	24	-	24	18	2	51
Total Revenues	<u>198,303</u>	<u>139,413</u>	<u>249</u>	<u>6,463</u>	<u>13,317</u>	<u>18</u>	<u>286,664</u>	<u>17,601</u>
Expenditures								
Current operating:								
General government	-	71,575	-	8,048	-	-	-	-
Public safety	-	70,273	-	-	-	-	-	32,687
Public works	214,292	-	-	-	-	-	-	-
Conservation and development	-	-	-	-	-	30,114	286,202	-
Miscellaneous	-	-	-	-	-	-	-	8,000
Total Expenditures	<u>214,292</u>	<u>141,848</u>	<u>-</u>	<u>8,048</u>	<u>-</u>	<u>30,114</u>	<u>286,202</u>	<u>40,687</u>
Excess (deficiency) of revenues over expenditures	<u>(15,989)</u>	<u>(2,435)</u>	<u>249</u>	<u>(1,585)</u>	<u>13,317</u>	<u>(30,096)</u>	<u>462</u>	<u>(23,086)</u>
Other financing sources (uses)								
Transfers in	-	-	-	-	658	28,516	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>658</u>	<u>28,516</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(15,989)	(2,435)	249	(1,585)	13,975	(1,580)	462	(23,086)
Fund balance (deficit), beginning of year	<u>30,828</u>	<u>137,169</u>	<u>13,492</u>	<u>15,785</u>	<u>248,320</u>	<u>88,535</u>	<u>(166)</u>	<u>35,174</u>
Fund balance (deficit), end of year	<u>\$ 14,839</u>	<u>\$ 134,734</u>	<u>\$ 13,741</u>	<u>\$ 14,200</u>	<u>\$ 262,295</u>	<u>\$ 86,955</u>	<u>\$ 296</u>	<u>\$ 12,088</u>

COUNTY OF WARREN, PENNSYLVANIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (DEFICIT) (CONTINUED)
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2017

	Juvenile Probation	Northwest Home Rehab Program	E-911	Domestic Relations	Total
Revenues					
Intergovernmental	\$ -	\$ -	\$ 639,498	\$ 466,021	\$ 1,590,472
Charges for services	-	-	63	6,231	183,209
Interest and investment income	<u>2</u>	-	<u>438</u>	-	<u>600</u>
Total Revenues	<u>2</u>	-	<u>639,999</u>	<u>472,252</u>	<u>1,774,281</u>
Expenditures					
Current operating:					
General government	-	-	504,583	575,548	1,159,754
Public safety	958	-	441,336	-	545,254
Public works	-	-	-	-	214,292
Conservation and development	-	-	-	-	316,316
Miscellaneous	-	<u>56</u>	-	-	<u>8,056</u>
Total Expenditures	958	56	945,919	575,548	2,243,672
Excess (deficiency) of revenues over expenditures	<u>(956)</u>	<u>(56)</u>	<u>(305,920)</u>	<u>(103,296)</u>	<u>(469,391)</u>
Other financing sources (uses)					
Transfers in	-	-	-	<u>162,000</u>	<u>191,174</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>162,000</u>	<u>191,174</u>
Net change in fund balance	(956)	(56)	(305,920)	58,704	(278,217)
Fund balance (deficit), beginning of year	<u>10,929</u>	<u>56</u>	<u>287,711</u>	<u>336,494</u>	<u>1,204,327</u>
Fund balance (deficit), end of year	<u>\$ 9,973</u>	<u>\$ -</u>	<u>\$ (18,209)</u>	<u>\$ 395,198</u>	<u>\$ 926,110</u>