

**COUNTY OF WARREN, PENNSYLVANIA**

**WARREN, PENNSYLVANIA**

**FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018**

COUNTY OF WARREN, PENNSYLVANIA  
YEAR ENDED DECEMBER 31, 2018

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# *Zelenkofske Axlerod LLC*

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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, 2018, 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 qualified audit opinion on the governmental activities; and (2) our unmodified audit opinion on the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information.



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## **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 matter 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, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Unmodified 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, each major fund, and the aggregate remaining fund information of COUNTY OF WARREN, PENNSYLVANIA, as of December 31, 2018, 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 2018 the County adopted the provisions of Governmental Accounting Standards Board GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", GASB No. 85, "Omnibus 2017", and GASB Statement No. 86, "Certain Debt Extinguishment Issues. 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, schedule of net pension liability and related notes, contributions and investment returns related to pension plans, and schedule of OPEB liability and related ratios (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.



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## *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.

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

In accordance with *Government Auditing Standards*, we have issued our report dated October 24, 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

October 24, 2019  
Pittsburgh, Pennsylvania

## **MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2018**

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, 2018. 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

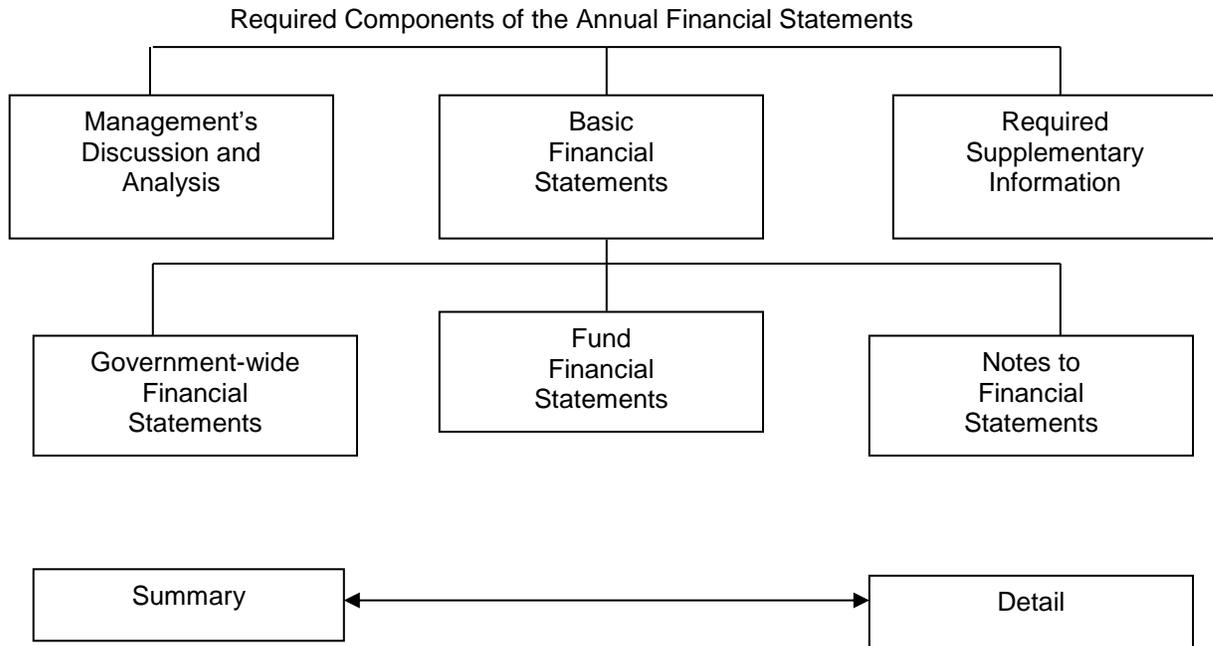
Management's discussion and analysis is a guide to reading the financial statements and provides related information to help the reader to better understand the COUNTY's government. The basic financial statements include notes that provide additional information essential to a full understanding of the 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 OPEB liability and related ratios.

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 two 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, 2018**

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



**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2018**

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**

	<b>Government-wide Statements</b>	<b>Fund Financial Statements</b>	
		<b>Governmental</b>	<b>Fiduciary</b>
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, 2018**

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.

A restatement was necessary to reflect changes required by the County's adoption of Governmental Accounting Standards Board, GASB Statement No. 75, "*Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions.*" The effect of this restatement for the prior period adjustment is a loss of \$7,211,473 on Governmental Activities on the Statement of Activities.

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, 2018**

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. 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, 2018**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**Net Position**

The COUNTY's total assets were \$17,803,945 at December 31, 2018. Of this amount, \$8,155,609 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 – 2018/2017**

	<b>2018 Governmental Activities</b>	<b>2017 Governmental Activities</b>
Capital Assets	\$ 8,155,609	\$ 5,805,508
Other Assets	<u>9,648,336</u>	<u>7,264,493</u>
Total Assets	<u>\$ 17,803,945</u>	<u>\$ 13,070,001</u>
Deferred Outflows	<u>\$ 3,598,160</u>	<u>\$ 1,073,650</u>
Current Liabilities	\$ 3,869,171	\$ 1,269,361
Long-term Liabilities	<u>12,788,012</u>	<u>1,220,596</u>
Total Liabilities	<u>\$ 16,657,183</u>	<u>\$ 2,489,957</u>
Deferred Inflows	<u>\$ 2,272,676</u>	<u>\$ 1,926,778</u>
Net Position:		
Net Investment in Capital Assets	\$ 6,280,096	\$ 5,154,274
Restricted Net Position	1,703,557	1,129,489
Unrestricted Net Position	<u>(5,511,407)</u>	<u>3,443,153</u>
Total Net Position	<u>\$ 2,472,246</u>	<u>\$ 9,726,916</u>

**MANAGEMENT DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2018**

**Change in Net Position**

The following statement of activities represents the change in net position for the years ended December 31, 2018 and 2017. It shows revenues by source and expenses by function for governmental activities.

**Condensed Statement of Activities**

	2018 Governmental Activities	2017 Governmental Activities
Program Revenues:		
Charges for Services	\$ 2,255,421	\$ 2,211,750
Grants and Contributions	12,133,807	3,702,886
General Revenues:		
Taxes	11,303,134	10,916,643
Interest and Investment Income	12,569	8,980
Miscellaneous Revenue	153,009	164,578
Total Revenues	<u>\$ 25,857,940</u>	<u>\$ 17,004,837</u>
Expenses:		
General Government	\$ 6,645,545	\$ 7,546,799
Public Safety	7,683,432	5,545,401
Public Works	249,578	260,445
Human Services	10,306,227	1,558,231
Culture and Recreation	540,975	411,838
Conservation and Development	1,088,590	924,854
Miscellaneous	189,981	178,028
Interest Expense	54,113	90,336
Total Expenses	<u>26,758,441</u>	<u>16,515,932</u>
Change in Net Position	<u>(900,501)</u>	<u>488,905</u>
Net Position - January 1 (restated, Note 13)	<u>3,372,747</u>	<u>9,238,011</u>
Net Position - December 31	<u>\$ 2,472,246</u>	<u>\$ 9,726,916</u>

**MANAGEMENT DISCUSSION AND ANALYSIS  
DECEMBER 31, 2018**

**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 2018, taxes brought in \$11,303,134.

**Net Cost of Governmental Activities**

	<b>2018 Total Cost of Services</b>	<b>2017 Total Cost of Services</b>	<b>2018 Net Cost of Services</b>	<b>2017 Net Cost of Services</b>
Program:				
General Government	\$ 6,645,545	\$ 7,546,799	\$ (3,215,669)	\$ (4,500,622)
Public Safety	7,683,432	5,545,401	(5,915,228)	(3,767,002)
Public Works	249,578	260,445	(62,474)	(62,154)
Human Service	10,306,227	1,558,231	(1,507,030)	(963,432)
Culture and Recreation	540,975	411,838	(524,776)	(411,838)
Conservation and Development	1,088,590	924,854	(899,942)	(627,884)
Miscellaneous	189,981	178,028	(189,981)	(178,028)
Interest Expense	54,113	90,336	(54,113)	(90,336)
Total	<u>\$ 26,758,441</u>	<u>\$ 16,515,932</u>	<u>\$ (12,369,213)</u>	<u>\$ (10,601,296)</u>

The COUNTY relied on property taxes and other general revenues to fund 46.23% of its governmental activities in 2018.

**Capital Assets**

The COUNTY's investment in capital assets at December 31, 2018, net of accumulated depreciation, was \$8,155,609. Capital assets consist primarily of land, buildings and equipment. The following is a summary of capital assets at December 31, 2018 and 2017:

**Capital Assets**

	<b>2018 Governmental Activities</b>	<b>2017 Governmental Activities</b>
Land	\$ 272,234	\$ 272,234
Land Improvements	234,034	234,034
Building and Improvements	9,499,211	9,420,612
E-911 Communications System	3,737,344	1,704,654
Machinery and Equipment	7,459,859	7,038,517
Accumulated Depreciation	<u>(13,047,073)</u>	<u>(12,594,546)</u>
Total Net Capital Assets	<u>\$ 8,155,609</u>	<u>\$ 6,075,505</u>

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, 2018**

**Debt Administration**

At December 31, 2018, the COUNTY had \$0 of debt outstanding. Debt was paid in full during 2018. The following is a summary of debt obligations for the 2018 calendar year:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<u>Governmental Activities</u>					
Bonds and Notes Payable:					
General Obligation Bonds	\$ 665,000	\$ -	\$ (665,000)	\$ -	\$ -
Capital Leases	-	1,875,513	-	1,875,513	141,423
Total long term liabilities	<u>665,000</u>	<u>1,875,513</u>	<u>(665,000)</u>	<u>1,875,513</u>	<u>141,423</u>
Governmental Activities					
Long-Term Liabilities	<u>\$ 665,000</u>	<u>\$ 1,875,513</u>	<u>\$ (665,000)</u>	<u>\$ 1,875,513</u>	<u>\$ 141,423</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, 2018**

**GOVERNMENTAL FUND REVENUES**

Governmental fund revenues by source at December 31, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Revenues:		
Taxes	\$ 10,675,076	\$ 10,914,723
Licenses and Permits	24,389	24,714
Intergovernmental Revenues	12,133,807	3,830,094
Charges for Services	2,120,481	1,924,439
Fines and Forfeitures	110,551	135,389
Interest and Investment Income	12,569	8,980
Miscellaneous	153,009	164,578
Capital lease proceeds	1,875,513	-
Operation Transfers In	<u>1,152,763</u>	<u>191,174</u>
Total Revenues	<u>\$ 28,258,158</u>	<u>\$ 17,194,091</u>

There are several factors relating to increases/decreases in revenues from 2018 to 2017. The inclusion of Forest-Warren Human services in the reporting entity increased the intergovernmental revenues by approximately \$8 million. Intergovernmental revenues also increased approximately \$80,000 for 911 revenues and \$50,000 for Act 13 Marcellus Shale revenues. There were no new capital leases in 2017 but approximately \$1.9 million in 2018.

**GOVERNMENTAL FUND EXPENDITURES**

Governmental fund expenditures by function at December 31, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Expenditures:		
General Government	\$ 6,534,954	\$ 7,695,326
Public Safety	7,453,685	5,524,846
Public Works	222,785	245,828
Human Services	9,815,345	1,530,962
Culture and Recreation	510,119	406,486
Conservation and Development	1,034,862	924,381
Miscellaneous	189,981	178,028
Capital outlay	1,875,513	-
Debt Service	712,413	2,155,630
Operating Transfers Out	<u>1,152,763</u>	<u>191,174</u>
Total Expenditures	<u>\$ 29,502,420</u>	<u>\$ 18,852,661</u>

The County's change in expenditures from 2017 to 2018 was primarily due the inclusion of Forest-Warren Human Services which resulted in approximately \$8 million of additional expenditures. The rest of the increase was the result of several capital projects for the county including the elevator project and the capital lease with Motorola.

**MANAGEMENT DISCUSSION AND ANALYSIS  
DECEMBER 31, 2018**

**GOVERNMENTAL FUND BALANCES**

Ending balances for governmental funds and net position for proprietary funds at December 31, 2018 and 2017 were as follows:

<u>Fund</u>	<u>2018 Governmental Funds</u>	<u>2017 Governmental Funds</u>
General Fund	\$ 3,632,683	\$ 4,877,142
Children and Youth Fund	-	-
Mental Health Fund	-	-
Intellectual Disabilities Fund	-	-
Nonmajor Governmental Funds	<u>1,089,134</u>	<u>1,088,937</u>
Total	<u>\$ 4,721,817</u>	<u>\$ 5,966,079</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. Detailed information about the COUNTY's 2018 general fund budget can be found in Required Supplemental Information.

Overall the County general fund fell short of budgeted revenues by \$1,140,359. The general fund expenditures were over budget by \$383,281. Other financing sources (uses) had a positive budget variance of \$333,316. This showed an deficit of revenue over expenditures of \$1,190,324. Numerous factors went into these results, and the County has made strides to budget more stringently going forward. The 2018 budget was completed for the General Fund. The general fund budget in 2018 had an opening balance of (\$54,135). 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 2019 budget was based off a real estate millage of 21.5 mills which were all dedicated to operating purposes. The budget was balanced with no reserves being used.

**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, 2018

	Primary Government	Component Unit
	Governmental Activities	Rouse Estate
<u>Assets</u>		
Cash and Cash Equivalents	\$ 6,368,642	\$ 2,791,632
Restricted cash and cash equivalents	-	494,000
Investments	-	2,080,878
Receivables		
Taxes	1,765,602	-
Grants	971,374	-
Loan	450,000	-
Other accounts receivable	92,887	2,512,850
Estimated third party payor settlements	-	783,442
Prepaid Items	-	139,827
Other Assets	-	31,286
Capital assets, not being depreciated	272,234	321,757
Capital assets, net of accumulated depreciation	<u>7,883,375</u>	<u>9,630,196</u>
Total Assets	<u>17,804,114</u>	<u>18,785,868</u>
<u>Deferred Outflow of Resources</u>		
Deferred outflows - relating to pensions	3,082,754	-
Deferred outflows - relating to OPEB	<u>515,406</u>	-
Total deferred outflows of resources	<u>\$ 3,598,160</u>	<u>\$ -</u>
<u>Liabilities</u>		
Accounts Payable	\$ 1,360,010	\$ 391,263
Accrued Liabilities	585,609	1,352,471
Unearned Revenue	1,758,313	489,298
Compensated absences	23,985	-
Current portions of long-term liabilities		
Capital lease	141,423	-
Long-term debt	-	329,329
Non-current portions of long-term liabilities		
OPEB	6,864,713	-
Pension	4,189,209	8,792,186
Capital lease	1,734,090	-
Long-term debt	-	5,185,472
Total Liabilities	<u>16,657,352</u>	<u>16,540,019</u>
<u>Deferred Inflow of Resources</u>		
Deferred amounts from pension liability	194,907	-
Deferred amounts from OPEB liability	<u>2,077,769</u>	-
Total deferred inflows of resources	<u>\$ 2,272,676</u>	<u>\$ -</u>
<u>Net Position</u>		
Net Investment in Capital Assets	6,280,096	-
Restricted	1,703,557	1,480,067
Unrestricted	<u>(5,511,407)</u>	<u>765,782</u>
Total Net Position	<u>\$ 2,472,246</u>	<u>\$ 2,245,849</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, 2018

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	\$ 6,645,545	\$ 1,271,052	\$ 2,158,824	\$ (3,215,669)	
Public Safety	7,683,432	921,296	846,908	(5,915,228)	
Public Works	249,578	-	187,104	(62,474)	
Human Services	10,306,227	46,874	8,752,323	(1,507,030)	
Culture and Recreation	540,975	16,199	-	(524,776)	
Conservation and Development	1,088,590	-	188,648	(899,942)	
Miscellaneous	189,981	-	-	(189,981)	
Interest and other fiscal charges	54,113	-	-	(54,113)	
Total Governmental Activities	26,758,441	2,255,421	12,133,807	(12,369,213)	
Total Primary Government	\$ 26,758,441	\$ 2,255,421	\$ 12,133,807	\$ (12,369,213)	
Component Unit:					
Rouse Estate	\$ 19,288,613	\$ 19,534,210	\$ 99,011		\$ 344,608
Total Component Units	\$ 19,288,613	\$ 19,534,210	\$ 99,011		\$ 344,608
General Revenues:					
Real Estate Taxes				11,067,366	-
Hotel Taxes				235,768	-
Interest and investment income				12,569	(284,293)
Miscellaneous				153,009	(923,684)
Total General Revenues				11,468,712	(1,207,977)
Change in Net Position				(900,501)	(863,369)
Net Position - Beginning (as restated, Note 13)				3,372,747	3,109,218
Net Position - Ending				\$ 2,472,246	\$ 2,245,849

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

COUNTY OF WARREN, PENNSYLVANIA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2018

	General Fund	Children and Youth Fund	Mental Health Fund	Intellectual Disabilities Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
<u>Assets</u>						
Cash and cash equivalents	\$ 3,121,924	\$ 797,316	\$ 495,489	\$ 729,341	\$ 1,224,572	\$ 6,368,642
Accounts Receivable	91,579	82	-	1,120	106	92,887
Due from other governments	346,306	484,771	1,568	10,578	128,151	971,374
Loan Receivable	450,000	-	-	-	-	450,000
Taxes Receivable	1,765,602	-	-	-	-	1,765,602
Due from other funds	<u>464,946</u>	<u>273</u>	<u>177,966</u>	<u>-</u>	<u>127,209</u>	<u>770,394</u>
Total assets	<u>\$ 6,240,357</u>	<u>\$ 1,282,442</u>	<u>\$ 675,023</u>	<u>\$ 741,039</u>	<u>\$ 1,480,038</u>	<u>\$ 10,418,899</u>
<u>Liabilities</u>						
Accounts Payable	\$ 656,382	\$ 259,722	\$ 253,095	\$ 59,793	\$ 131,018	\$ 1,360,010
Accrued liabilities	258,933	-	-	15	-	258,948
Unearned revenues	17,418	810,780	211,746	599,458	118,911	1,758,313
Due to other funds	<u>125,524</u>	<u>211,940</u>	<u>210,182</u>	<u>81,773</u>	<u>140,975</u>	<u>770,394</u>
Total liabilities	<u>1,058,257</u>	<u>1,282,442</u>	<u>675,023</u>	<u>741,039</u>	<u>390,904</u>	<u>4,147,665</u>
<u>Deferred Inflows of Resources</u>						
Unavailable revenue - property taxes	<u>1,549,417</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,549,417</u>
Total deferred inflows of resources	<u>1,549,417</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,549,417</u>
<u>Fund Balances</u>						
Restricted	614,423	-	-	-	1,089,134	1,703,557
Assigned	2,087,307	-	-	-	-	2,087,307
Unassigned	<u>930,953</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>930,953</u>
Total fund balances	<u>3,632,683</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,089,134</u>	<u>4,721,817</u>
Total liabilities and fund balances	<u>\$ 6,240,357</u>	<u>\$ 1,282,442</u>	<u>\$ 675,023</u>	<u>\$ 741,039</u>	<u>\$ 1,480,038</u>	<u>\$ 10,418,899</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, 2018

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

Total fund balances of governmental funds	\$ 4,721,817
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$20,202,682 and the accumulated depreciation is \$13,047,073.	8,155,609
Revenues not available to pay for current period expenditures and therefore reported as unearned revenue in the funds:	
Real estate taxes	1,549,417
Net pension liability is not reported in the the funds:	(4,189,209)
Other post-employment obligations are not reported in the funds:	(6,864,713)
Deferred outflows of resources related to pensions and other postemployment benefits are not reported in the funds	3,598,160
Deferred inflows of resources related to pensions and other postemployment benefits are not reported in the funds	(2,272,676)
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:	
Capital leases	(1,875,513)
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>(350,646)</u>
	<u>\$ 2,472,246</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, 2018

	General Fund	Children and Youth Fund	Mental Health Fund	Intellectual Disabilities Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Taxes	\$ 10,061,502	\$ -	\$ -	\$ -	\$ 613,574	\$ 10,675,076
Licenses and permits	24,389	-	-	-	-	24,389
Intergovernmental revenue	2,624,337	2,923,773	2,930,176	1,603,294	2,052,227	12,133,807
Charges for services	1,890,773	46,874	-	-	182,834	2,120,481
Fines and forfeitures	110,551	-	-	-	-	110,551
Interest and investment income	6,176	101	919	726	4,647	12,569
Miscellaneous	12,565	26,985	19,475	2,517	91,467	153,009
Total Revenues	<u>14,730,293</u>	<u>2,997,733</u>	<u>2,950,570</u>	<u>1,606,537</u>	<u>2,944,749</u>	<u>25,229,882</u>
<b>Expenditures</b>						
Current operating:						
General government	6,157,620	-	-	-	377,334	6,534,954
Public safety	6,563,825	-	-	-	889,860	7,453,685
Public works	34,700	-	-	-	188,085	222,785
Human services	556,512	3,754,957	3,038,267	1,693,487	772,122	9,815,345
Culture and recreation	510,119	-	-	-	-	510,119
Conservation and development	788,019	-	-	-	246,843	1,034,862
Miscellaneous	189,981	-	-	-	-	189,981
Capital outlay	1,875,513	-	-	-	-	1,875,513
Debt service						
Principal	-	-	-	-	665,000	665,000
Interest	21,213	-	-	-	26,200	47,413
Total Expenditures	<u>16,697,502</u>	<u>3,754,957</u>	<u>3,038,267</u>	<u>1,693,487</u>	<u>3,165,444</u>	<u>28,349,657</u>
Excess (deficiency) of revenues over expenditures	<u>(1,967,209)</u>	<u>(757,224)</u>	<u>(87,697)</u>	<u>(86,950)</u>	<u>(220,695)</u>	<u>(3,119,775)</u>
<b>Other financing sources (uses)</b>						
Proceeds from capital lease	1,875,513	-	-	-	-	1,875,513
Transfers in	-	757,224	87,697	86,950	220,892	1,152,763
Transfers out	<u>(1,152,763)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,152,763)</u>
Total other financing sources (uses)	<u>722,750</u>	<u>757,224</u>	<u>87,697</u>	<u>86,950</u>	<u>220,892</u>	<u>1,875,513</u>
Net change in fund balance	(1,244,459)	-	-	-	197	(1,244,262)
Fund balances, beginning of year (as restated)	<u>4,877,142</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,088,937</u>	<u>5,966,079</u>
Fund balances, end of year	<u>\$ 3,632,683</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,089,134</u>	<u>\$ 4,721,817</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, 2018

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

Net Change in fund balances - total governmental funds		\$ (1,244,262)
<p>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.</p>		
Capital Outlays	2,532,631	
Depreciation expense	<u>(452,527)</u>	2,080,104
<p>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.</p>		
Change in interest payable on long-term debt	7,066	
Amortization of deferred refunding loss on debt	(13,766)	
Principal payments	<u>665,000</u>	658,300
<p>The acquisition of capital assets through capital lease arrangements are only expensed when the monthly payments made on the leases at the fund level. Such transactions only effect net position when new capital leases are entered into. This amount is the difference between capital lease payments and new capital lease obligations.</p>		
New capital assets acquired through capital leases	<u>(1,875,513)</u>	(1,875,513)
<p>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.</p>		
Current year	1,549,417	
Prior year	<u>(921,359)</u>	628,058
<p>Certain costs by the County are incurred but not yet paid, such as accrued vacation and health insurance claims. This is the change in the balance of those liabilities.</p>		
		(178,121)
<p>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.</p>		
		4,993
<p>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.</p>		
		<u>(974,060)</u>
Changes in net position of governmental activities		<u>\$ (900,501)</u>

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

COUNTY OF WARREN, PENNSYLVANIA  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
DECEMBER 31, 2018

	<u>Pension Trust Fund</u>	<u>Private Purpose Fund</u>	<u>Agency Fund</u>	<u>Total</u>
<u>Assets</u>				
Cash and Cash Equivalents	\$ 931,284	\$ 541	\$ 673,790	\$ 1,605,615
Investments	31,378,184	1,266,505	-	32,644,689
Accounts Receivable	<u>263,241</u>	<u>4,013</u>	<u>-</u>	<u>267,254</u>
Total Assets	<u>\$ 32,572,709</u>	<u>\$ 1,271,059</u>	<u>\$ 673,790</u>	<u>\$ 34,517,558</u>
<u>Liabilities</u>				
Temporary withholding liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 673,790</u>	<u>\$ 673,790</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>\$ 673,790</u>	<u>673,790</u>
<u>Net Position</u>				
Held in trust for pension benefits and other purposes	<u>32,572,709</u>	<u>1,271,059</u>		<u>33,843,768</u>
Total Net Position	<u>\$ 32,572,709</u>	<u>\$ 1,271,059</u>		<u>\$ 33,843,768</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, 2018

	Pension Trust Fund	Private Purpose Fund	Total Fiduciary Funds
Additions:			
Contributions:			
Employee	\$ 726,808	\$ -	\$ 726,808
County Contribution	274,950	-	274,950
Total contributions	<u>1,001,758</u>	<u>-</u>	<u>1,001,758</u>
Investment Income:			
Net depreciation in fair value of assets	(2,732,036)	(143,769)	(2,875,805)
Interest and Dividends	852,372	65,747	918,119
Miscellaneous	-	79	79
Less: investment expense	<u>(119,643)</u>	<u>(11,443)</u>	<u>(131,086)</u>
Total Investment Income	<u>(1,999,307)</u>	<u>(89,386)</u>	<u>(2,088,693)</u>
Total Additions	<u>(997,549)</u>	<u>(89,386)</u>	<u>(1,086,935)</u>
Deductions:			
Employee Benefits Paid	2,434,459	54,952	2,489,411
Administrative Expenses	13,850	-	13,850
Other deductions	<u>-</u>	<u>50</u>	<u>50</u>
Total Deductions	2,448,309	55,002	2,503,311
Change in Net Position	(3,445,858)	(144,388)	(3,590,246)
Net Position Held In Trust:			
Beginning of Year	<u>36,018,567</u>	<u>1,415,447</u>	<u>37,434,014</u>
End of Year	<u>\$ 32,572,709</u>	<u>\$ 1,271,059</u>	<u>\$ 33,843,768</u>

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

COUNTY OF WARREN, PENNSYLVANIA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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 the Component Unit has 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 has been included in the financial reporting entity as a discretely presented Component Unit.

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, 2018

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, 2018.

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, 2018

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 unit. 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 unit 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 are reported as separate columns in the fund financial statements.

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.

COUNTY OF WARREN, PENNSYLVANIA  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2018

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

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

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, 2018

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 Children and Youth Fund is used the account for the federal and state children and youth services program. The fund is funded primarily by state and federal grants, and as a result does not have a fund balance.
- The Mental Health Fund is used to account for the Mental Health program. The fund is funded primarily by state and federal grants, and as a result does not have a fund balance.
- The Intellectual Disabilities Fund accounts for programs serving those with intellectual disabilities in Forest and Warren counties. The fund is funded primarily by state and federal grants, and as a result does not have a fund balance.

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.

COUNTY OF WARREN, PENNSYLVANIA  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2018

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

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

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.

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, 2018, 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

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, 2018

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

Revenues that are received but not earned are recorded as unearned revenue in the County's financial statements. In the County's governmental funds, unearned revenues arise when the potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the County has legal claim to the resources, the liability for unearned revenue is removed from the governmental funds' balance sheet and revenue is recognized.

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.
- *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.

COUNTY OF WARREN, PENNSYLVANIA  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2018

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

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

7. Net Position/Fund Balances (Continued)

- 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. 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 and OPEB are described further in Note 6 and Note 7, respectively. The annual difference between expected and actual experience is amortized over a 4.42 year period for pension amounts and 5.76 year closed period for OPEB amounts.

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 governmental funds only have one type of item that qualifies for reporting in this category. Deferred outflows of resources related to pensions and OPEB are described further in

COUNTY OF WARREN, PENNSYLVANIA  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2018

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

10. Deferred Outflows of Resources (Continued)

Note 6 and Note 7, respectively. 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 4.42 year closed period for pension amounts and 5.76 year closed period for OPEB amounts, 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. 75, "Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans". The adoption of this statement resulted in a restatement (See Note 13).

The County adopted the provisions of GASB Statement No. 85, "Omnibus 2017". The adoption of this statement had no effect on previously reported amounts.

The County adopted the provisions of GASB Statement No. 86, "Certain Debt Extinguishment Issues". The adoption of this statement had no effect on previously reported amounts.

12. Pending Changes in Accounting Principles

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 a Construction Period". The County is required to adopt Statement No. 89 for its calendar year 2020 financial statements.

In August of 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 fiscal year 2019 financial statements.

In May of 2019 the GASB issued Statement No. 91, "Conduit Debt Obligations". The County is required to adopt Statement No. 91 for is fiscal year 2021 financial statements.

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

COUNTY OF WARREN, PENNSYLVANIA  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2018

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

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.

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 2018 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. During November 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 mid-November, 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.

COUNTY OF WARREN, PENNSYLVANIA  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2018

NOTE 2: BUDGETARY DATA (CONTINUED)

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.

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, 2018:

	<b>Credit</b>	<b>Percentage of</b>
Fixed income	Aaa	25%
Fixed income	Aa1	1%
Fixed income	Aa2	3%
Fixed income	Aa3	2%
Fixed income	Below Aa3	69%

*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, 2018, the County's cash balances for its governmental activities, private purpose trust fund and agency fund were \$7,042,973 and its bank balances were \$7,844,261. Of these bank balances, \$6,856,513 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 or private purpose trust investments were exposed to custodial credit risk at December 31, 2018 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, 2018, 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.

COUNTY OF WARREN, PENNSYLVANIA  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2018

## NOTE 3: DEPOSIT AND INVESTMENT RISK (CONTINUED)

At December 31, 2018, the County had the following recurring fair value measurements:

<u>Investments measured by fair value level</u>	<u>12/31/2018</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificates of Deposit	\$ 1,567,574	\$ 1,567,574	\$ -	\$ -
Corporate Bonds	4,202,333	4,202,333	-	-
U.S. Government Securities	4,502,615	4,502,615	-	-
Other Bonds	1,173,147	1,173,147	-	-
Common Stock	14,613,862	14,613,862	-	-
Mutual Funds	6,585,158	6,585,158	-	-
Total investments by fair value level	<u>\$ 32,644,689</u>	<u>\$ 32,644,689</u>	<u>\$ -</u>	<u>\$ -</u>

Rouse Estate

At December 31, 2018, the Estate had the following recurring fair value measurements:

<u>Investments measured by fair value level</u>	<u>12/31/2018</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	\$ 112,896	\$ 112,896	\$ -	\$ -
Stocks	194,014	194,014	-	-
Mutual Funds	1,773,968	1,773,968	-	-
Total investments by fair value level	<u>\$ 2,080,878</u>	<u>\$ 2,080,878</u>	<u>\$ -</u>	<u>\$ -</u>

## 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 2018, 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 2018 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 2018 real estate taxes levied was \$10,605,504 based on a total County assessed valuation of \$493,279,246. Based on the 2018 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, 2018

## NOTE 5: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018 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	9,420,612	78,599		9,499,211
E-911 Communication System	1,704,654	2,032,690		3,737,344
Machinery and Equipment	7,038,517	421,342	-	7,459,859
Total Capital Assets, Being Depreciated	<u>18,397,817</u>	<u>2,532,631</u>	<u>-</u>	<u>20,930,448</u>
Less Accumulated Depreciation For:				
Land improvements	(226,125)	(15,602)	-	(241,727)
Building and Improvements	(5,556,592)	(234,068)		(5,790,660)
E-911 Communication System	(460,748)	(42,269)	-	(503,017)
Machinery and Equipment	(6,351,081)	(160,588)	-	(6,511,669)
Total Accumulated Depreciation	<u>(12,594,546)</u>	<u>(452,527)</u>	<u>-</u>	<u>(13,047,073)</u>
Total Capital Assets, Being Depreciated, Net	<u>5,803,271</u>	<u>2,080,104</u>	<u>-</u>	<u>7,883,375</u>
Governmental Activities Capital Assets, Net	<u>\$ 6,075,505</u>	<u>\$ 2,080,104</u>	<u>\$ -</u>	<u>\$ 8,155,609</u>

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	130,775
Culture and Recreation	11,525
Conservation and Development	<u>14,511</u>
Total Depreciation Expense-Governmental Activities	<u>\$ 452,527</u>

COUNTY OF WARREN, PENNSYLVANIA  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2018

## NOTE 5: CAPITAL ASSETS (CONTINUED)

Component Unit – Capital AssetsRouse Estate

Capital assets and accumulated depreciation as of December 31, 2018 is as follows:

PROPERTY AND EQUIPMENT, at cost	
Land	\$ 321,757
Buildings and improvements	24,498,023
Equipment and furniture	3,161,101
Automotive equipment	324,511
Construction in progress	<u>247,265</u>
Total	28,552,657
Less accumulated depreciation	<u>18,600,704</u>
Capital assets, net	<u>\$ 9,951,953</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.

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, 2018 measurement period, pension plan membership consisted of the following:

Active Plan Members	204
Retirees and beneficiaries currently receiving benefits	198
Terminated Plan Members entitled to but not yet receiving benefits	<u>17</u>
	<u>419</u>

COUNTY OF WARREN, PENNSYLVANIA  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2018

NOTE 6: EMPLOYEE RETIREMENT TRUST FUND (CONTINUED)

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.

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, 2018, the plan had deposits totaling \$1,101,758. This was comprised of member contributions of \$726,808 and County contributions of \$274,950.

Legally Required Reserves

At December 31, 2018, the County has a balance of \$9,730,843 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, 2018. Since these accumulations represent the present value as of December 31, 2018 of future benefits, the reserve balance and liability are identical.

The County has a balance of \$4,640,807 in the County Annuity Reserve Account as of December 31, 2018. 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.

COUNTY OF WARREN, PENNSYLVANIA  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2018

## NOTE 6: EMPLOYEE RETIREMENT TRUST FUND (CONTINUED)

Legally Required Reserves (Continued)

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 \$18,201,059 as of December 31, 2018. 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 December 31, 2018. The components of the net pension liability of the County for the 2018 measurement period were as follows:

Total Pension Liability	\$ 36,761,918
Plan Fiduciary Net Position	<u>32,572,709</u>
Net Pension Liability	<u>\$ 4,189,209</u>

Plan Fiduciary net position as a percentage of the total pension liability	88.60%
--	--------

Changes in the County's net pension liability for the plan for the year ended December 31, 2018 were as follows:

	<u>Increase/(Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) - (b)</u>
Balances at 12/31/2017	\$ 35,478,975	\$ 36,018,567	\$ (539,592)
Service Cost	1,071,177	-	1,071,177
Interest Cost	2,642,362	-	2,642,362
Changes in Benefit Terms	-	-	-
Changes for Experience	3,863	-	3,863
Changes of Assumptions	-	-	-
Contributions - Employer	-	274,950	(274,950)
Contributions - Member	-	726,808	(726,808)
Net Investment Income	-	(1,999,307)	1,999,307
Benefit Payments, including Refunds of Member Contributions	(2,434,459)	(2,434,459)	-
Administrative Expenses	-	(13,850)	13,850
Net Changes	<u>\$ 1,282,943</u>	<u>\$ (3,445,858)</u>	<u>\$ 4,728,801</u>
Balances at 12/31/2018	<u>\$ 36,761,918</u>	<u>\$ 32,572,709</u>	<u>\$ 4,189,209</u>

COUNTY OF WARREN, PENNSYLVANIA  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2018

## NOTE 6: EMPLOYEE RETIREMENT TRUST FUND (CONTINUED)

*Deferred (Inflows) Outflows of Resources*

The total pension expense recognized in 2018 for the plan was \$1,249,010. At December 31, 2018, the County reported deferred outflows of resources related to the pension plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 2,989	\$ 194,907
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	<u>3,079,765</u>	-
Total	<u>\$ 3,082,754</u>	<u>\$ 194,907</u>

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:	<u>Governmental Activities</u>
2019	\$ 931,878
2020	497,363
2021	528,949
2022	<u>929,657</u>
	<u>\$ 2,887,847</u>

Plan Actuarial Methods and AssumptionsActuarial Assumptions

The total pension liability was determined by an actuarial valuation as of December 31, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 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, 2018, the recognition period was calculated to be 4.42 years.

COUNTY OF WARREN, PENNSYLVANIA  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2018

NOTE 6: EMPLOYEE RETIREMENT TRUST FUND (CONTINUED)

Asset Allocation

The following was the Board's asset allocation policy for the 2018 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>

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 2018 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	\$6,885,001	\$4,189,209	\$1,888,859

COUNTY OF WARREN, PENNSYLVANIA  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2018

NOTE 6: EMPLOYEE RETIREMENT TRUST FUND (CONTINUED)

Rate of Return

For the 2018 measurement period, the annual money-weighted rate of return on Plan investments, net of Plan investment expense, was -5.66% percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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.

The following table sets forth the Plan's funded status and amounts recognized in the accompanying financial statements as of and for the years ended December 31:

Projected benefit obligation	\$ 15,749,476
Fair value of plan assets	<u>6,957,290</u>
Funded status	<u>\$ (8,792,186)</u>
Accumulated benefit obligation	<u>\$ 15,166,848</u>
Benefits paid	<u>\$ 663,247</u>
Employer contribution	<u>\$ 495,675</u>

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

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

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

Service cost	\$ 251,836
Interest cost	602,580
Return on Plan assets	(527,709)
Net amortization and deferral	<u>125,685</u>
Net periodic benefit cost	<u>\$ 452,392</u>

COUNTY OF WARREN, PENNSYLVANIA  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2018

NOTE 6: EMPLOYEE RETIREMENT TRUST FUND (CONTINUED)

Rouse Estate (Continued)

Actuarial Assumptions

Assumptions to determine benefit obligations:	
Discount rate	4.10%
Assumptions to determine net periodic benefit costs:	
Discount rate	4.00%
Expected long-term return on Plan assets	7.00%
Rate of compensation increase	2.00%

NOTE 7: OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The Warren County OPEB plan is a single-employer defined benefit plan that pays the cost of healthcare coverage for certain grandfathered retirees for the remainder of their lives, bridge health insurance coverage for retirees until age 65 when Medicare commences, and post retirement life insurance

Plan Participants

At December 31, 2018, the following employees were covered by the benefit terms:

Year ended June 30:		
2019	\$	(328,228)
2020		(328,228)
2021		(328,228)
2022		(328,228)
2023		(249,451)

Contributions

The Plan is funded by the County as a "pay as you go" basis. Contributions are made to the plan to pay claims as they happen. For the period January 1, 2018 to December 31, 2018, the total contributions to the Plan equaled \$274,113.

Total OPEB Liability

The County's total OPEB liability of \$6,864,713 was measured as of December 31, 2018 and was determined by an actuarial valuation as of that date.

COUNTY OF WARREN, PENNSYLVANIA  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2018

## NOTE 7: OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Actuarial Assumptions

The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods in the measurement, unless otherwise specified:

Actuarial assumptions	
Actuarial cost method	Entry Age Normal Cost
Measurement date	December 31, 2018
Inflation	2.50%
Salary increases	2.50%
Healthcare cost trend rates	5.00%
Discount rate	3.64%
Turnover	T-7
Retirement age	15% age 55, 3% ages 56-59 10% age 60-61, 25% age 62 15% ages 63-64, 100% age 65

Mortality Rates

Mortality rates were in accordance with the Society of Actuaries RP-2000 Table.

Discount Rate

The discount rate used to measure the total OPEB liability for the Plan was 3.64%. The discount rate was based on the S&P Municipal Bond 20-Year High Grade Index as of December 31, 2018. The discount rate used in the prior period was 5.00%.

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, 2018, the recognition period was calculated to be 5.76 years.

Changes in the total OPEB Liability:

	<u>Total OPEB Liability</u>
12/31/17 GASB 45 Balances	\$ 8,312,146
Adjustment for Method Change	119,923
December 31, 2017 Balances	<u>8,432,069</u>
Service Cost	174,446
Interest	422,902
Differences Between Expected and Actual Experience	(2,514,275)
Change in Assumptions	623,684
Benefit Payments	<u>(274,113)</u>
Net Changes	<u>\$ (1,567,356)</u>
December 31, 2018 Balances	<u>\$ 6,864,713</u>

COUNTY OF WARREN, PENNSYLVANIA  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2018

## NOTE 7: OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Sensitivity of the total OPEB liability to changes in the discount rate

	<u>1% Decrease (2.64%)</u>	<u>Current Discount Rate (3.64%)</u>	<u>1% Increase (4.64%)</u>
Plan's total OPEB liability	\$ 7,395,898	\$ 6,864,713	\$ 6,396,181

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rate

	<u>1% Decrease (4.0%)</u>	<u>Current Discount Rate (5.0%)</u>	<u>1% Increase (6.0%)</u>
Plan's total OPEB liability	\$ 6,441,146	\$ 6,864,713	\$ 7,343,447

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended December 31, 2018, the County recognized an OPEB expense (income) of \$269,120. At December 31, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 2,077,769
Change of assumptions	515,406	-
Total	<u>\$ 515,406</u>	<u>\$ 2,077,769</u>

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

Year ended June 30:	
2019	\$ (328,228)
2020	(328,228)
2021	(328,228)
2022	(328,228)
2023	(249,451)

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 161 retirees receiving health care benefits at December 31, 2018.

COUNTY OF WARREN, PENNSYLVANIA  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2018

## NOTE 8: LONG-TERM OBLIGATIONS

A summary of changes in long-term debt obligations for 2018 is as follows:

<u>Description</u>	<u>Balance</u> <u>1/1/2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/2018</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Governmental activities:					
General public improvements	\$ 665,000	\$ -	\$ 665,000	\$ -	\$ -
Total governmental activities	<u>\$ 665,000</u>	<u>\$ -</u>	<u>\$ 665,000</u>	<u>\$ -</u>	<u>\$ -</u>

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

Capital Leases

In June of 2019 the County entered into a lease purchase agreement with Motorola Solutions for 911 Equipment. Future minimum lease payments at December 31, 2018 and present value of capital lease obligations were:

<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Current</u> <u>Portion</u>
\$ -	\$ 1,875,513	\$ -	\$ 1,875,513	\$ 141,423

<u>Year ended December 31</u>	<u>Governmental</u> <u>Activities</u>
2019	\$ 233,117
2020	233,117
2021	233,117
2022	233,117
2023	233,117
2024-2028	<u>1,165,582</u>
Total Minimum Lease Payments	2,331,167
Less Amount Representing Interest	455,654
Present Value of Net Minimum Lease Payments	1,875,513
Less: Amount Due Within One Year	<u>141,423</u>
Non-Current Portion	<u>\$ 1,734,090</u>

Compensated Absences

The County's Human Services allows employees to carry over 37.5 hours of vacation at year end to be used in the first quarter of the following year. As of December 31, 2018 the amount of vacation payable to employees was \$23,985.

COUNTY OF WARREN, PENNSYLVANIA  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2018

## 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, 2017	Additions	Reductions	Balance as of December 31, 2018	Amounts Due Within One Year
Construction and Mortgage Refinance	\$ 5,881,055	\$ -	\$ (327,718)	\$ 5,553,337	\$ 329,329
Total Long-Term Debt	<u>\$ 5,881,055</u>	<u>\$ -</u>	<u>\$ (327,718)</u>	<u>5,553,337</u>	<u>\$ 329,329</u>
				Less deferred financing costs	<u>(38,536)</u>
				Long-term debt, net	<u>\$ 5,514,801</u>
	<u>Year Ended December 31</u>	<u>Principal Payments</u>			
	2019	\$	329,329		
	2020		330,204		
	2021		331,136		
	2022		332,098		
	2023		333,100		
	Thereafter		<u>3,897,470</u>		
	Total		<u>\$ 5,553,337</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, 2018, are as follows:

<u>Governmental Fund Types</u>	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 464,946	\$ 125,524
Children & Youth Fund	273	211,940
Mental Health Fund	177,966	210,182
Intellectual Disabilities Fund	-	81,773
Other Non-Major Governmental Fund Type	<u>127,209</u>	<u>140,975</u>
Total Interfund Balances	<u>\$ 770,394</u>	<u>\$ 770,394</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, 2018

## 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	\$ -	\$ 1,152,763
Children & Youth Fund	757,224	-
Mental Health Fund	87,697	-
Intellectual Disabilities Fund	86,950	-
Other Non-Major Governmental Funds	220,892	-
Total Interfund Transfers	<u>\$ 1,152,763</u>	<u>\$ 1,152,763</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>
<b>Major Funds</b>		
General Fund	<u>Restricted Funds:</u>	
	These funds are restricted by Act 13	\$ 286,610
	These funds are restricted for prisoner welfare	274,933
	These funds are restricted by the Help America Vote Act	<u>52,880</u>
		614,423
	<u>Assigned Funds:</u>	
	These funds are assigned for Human Services	587,307
	These funds are assigned for future capital projects	<u>1,500,000</u>
		2,087,307
<b>Non-Major Governmental Funds</b>	<u>Restricted Funds:</u>	
	These funds are restricted for purposes of General Government	815,916
	These funds are restricted for future debt service	86,499
	These funds are restricted for purposes of Public Safety	112,583
	These funds are restricted for purposes of Public Works	13,881
	These funds are restricted for purposes of Conservation and Development	<u>60,255</u>
		1,089,134

## 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, 2018

## NOTE 13: RESTATEMENT OF NET POSITION

Governmental activities net position was restated for the following reasons and amounts:

	<u>Governmental Activities</u>	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>
Net Position/Fund Balance at January 1, 2018 as previously reported	\$ 9,726,916	\$ 4,289,835	\$ 926,110
Restatement to include Human Services as part of reporting entity	857,304	587,307	-
Add Debt Service Fund which is no longer a major fund	-	-	162,827
Understatement of OPEB Liability due to the adoption of GASB 75	<u>(7,211,473)</u>	<u>-</u>	<u>-</u>
Net Position/Fund Balance at January 1, 2018 as restated	<u>\$ 3,372,747</u>	<u>\$ 4,877,142</u>	<u>\$ 1,088,937</u>

## NOTE 14: EXPENDITURES IN EXCESS OF APPROPRIATIONS

During 2018 the General Fund's expenditures exceeded appropriations by \$2,258,794. The excess was covered by fund balance reserves and capital lease proceeds.

## NOTE 15: SUBSEQUENT EVENTS

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 October 24, 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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 11,821,916	\$ 11,821,916	\$ 10,061,502	\$ (1,760,414)
Licenses and permits	22,878	22,878	24,389	1,511
Intergovernmental grants	1,627,399	1,627,399	2,624,337	996,938
Charges for services	1,836,629	1,836,629	1,890,773	54,144
Fines and forfeitures	253,500	253,500	110,551	(142,949)
Interest and investment income	4,330	4,330	6,176	1,846
Miscellaneous	<u>304,000</u>	<u>304,000</u>	<u>12,565</u>	<u>(291,435)</u>
<b>Total Revenues</b>	<u>15,870,652</u>	<u>15,870,652</u>	<u>14,730,293</u>	<u>(1,140,359)</u>
<b>Expenditures</b>				
Current operating:				
General government	5,408,339	5,408,339	6,157,620	(749,281)
Public safety	6,570,190	6,570,190	6,563,825	6,365
Public works	46,500	46,500	34,700	11,800
Human services	585,713	585,713	556,512	29,201
Culture and recreation	232,500	232,500	510,119	(277,619)
Conservation and development	600,662	600,662	788,019	(187,357)
Miscellaneous	951,304	951,304	189,981	761,323
Capital outlay	-	-	1,875,513	(1,875,513)
Debt service (Interest)	<u>43,500</u>	<u>43,500</u>	<u>21,213</u>	<u>22,287</u>
<b>Total Expenditures</b>	<u>14,438,708</u>	<u>14,438,708</u>	<u>16,697,502</u>	<u>(2,258,794)</u>
Excess (deficiency) of revenues over expenditures	<u>1,431,944</u>	<u>1,431,944</u>	<u>(1,967,209)</u>	<u>(3,399,153)</u>
<b>Other financing sources (uses)</b>				
Proceeds from capital lease	-	-	1,875,513	1,875,513
Transfers in	-	-	-	-
Transfers out	<u>(1,486,079)</u>	<u>(1,486,079)</u>	<u>(1,152,763)</u>	<u>333,316</u>
<b>Total other financing     sources (uses)</b>	<u>(1,486,079)</u>	<u>(1,486,079)</u>	<u>722,750</u>	<u>2,208,829</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>\$ (54,135)</u>	<u>\$ (54,135)</u>	<u>\$ (1,244,459)</u>	<u>\$ (1,190,324)</u>

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Actuarially determined contribution	\$ 206,224	\$ 360,606	\$ 396,367	\$ 274,950
Contributions in relation to the actuarially determined contribution	<u>206,224</u>	<u>360,606</u>	<u>396,367</u>	<u>274,950</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered - employee payroll	7,467,688	7,916,393	7,998,822	8,171,627
Contributions as a percentage of covered - employee payroll	2.76%	4.56%	4.96%	3.36%

**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	2.25%
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 lortality 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 CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b>Total pension liability</b>				
Service Cost	\$ 946,408	\$ 984,272	\$ 1,046,006	\$ 1,071,177
Interest	2,337,162	2,449,208	2,547,276	2,642,362
Differences between expected and actual experience	(238,710)	(358,123)	(117,533)	3,863
Benefits payments, including refunds of member contributions	<u>(1,535,604)</u>	<u>(1,633,746)</u>	<u>(1,995,172)</u>	<u>(2,434,459)</u>
<b>Net change in total pension liability</b>	1,509,256	1,441,611	1,480,577	1,282,943
<b>Total pension liability - beginning</b>	<u>31,047,531</u>	<u>32,556,787</u>	<u>33,998,398</u>	<u>35,478,975</u>
<b>Total pension liability - ending (a)</b>	<u><u>\$ 32,556,787</u></u>	<u><u>\$ 33,998,398</u></u>	<u><u>\$ 35,478,975</u></u>	<u><u>\$ 36,761,918</u></u>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 206,224	\$ 360,606	\$ 396,367	\$ 274,950
Contributions - employee	642,114	671,855	711,263	726,808
Net investment income	(155,093)	2,211,639	4,367,578	(1,999,307)
Benefit payments, including refunds of employee contributions	(1,535,604)	(1,633,746)	(1,995,172)	(2,434,459)
Administrative expense	<u>(149,347)</u>	<u>(12,600)</u>	<u>(11,750)</u>	<u>(13,850)</u>
<b>Net change in plan fiduciary position</b>	(991,706)	1,597,754	3,468,286	(3,445,858)
<b>Plan fiduciary net position - beginning</b>	31,944,233	30,952,527	32,550,281	36,018,567
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 30,952,527</u>	<u>\$ 32,550,281</u>	<u>\$ 36,018,567</u>	<u>\$ 32,572,709</u>
<b>County's net pension liability - ending (a) - (b)</b>	<u><u>\$ 1,604,260</u></u>	<u><u>\$ 1,448,117</u></u>	<u><u>\$ (539,592)</u></u>	<u><u>\$ 4,189,209</u></u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	95.07%	95.74%	101.52%	88.60%
<b>Covered - employee payroll</b>	\$ 7,467,688	\$ 4,916,393	\$ 7,998,822	\$ 8,171,627
<b>County net pension liability as a percentage of covered - employee payroll</b>	21.48%	29.45%	-6.75%	51.27%

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 INVESTMENT RETURNS

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Annual money-weighted rate of return, net of investment expense	-0.49%	7.22%	13.61%	-5.66%

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 CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS

	<b>2018</b>
<b>Total OPEB liability</b>	
Service Cost	\$ 174,446
Interest	422,902
Differences between expected and actual experience	(2,514,275)
Changes of assumptions	623,684
Benefits payments, including refunds of member contributions	(274,113)
<b>Net change in total OPEB liability</b>	(1,567,356)
<b>Total OPEB liability - beginning</b>	8,432,069
<b>Total OPEB liability - ending (a)</b>	\$ 6,864,713
<b>Covered - employee payroll</b>	\$ 7,937,835
<b>County net OPEB liability as a percentage of covered - employee payroll</b>	86.48%

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

**OTHER  
SUPPLEMENTAL  
INFORMATION**

COUNTY OF WARREN, PENNSYLVANIA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 DECEMBER 31, 2018

<u>Assets</u>	<u>Debt Service Fund</u>	<u>Nonmajor Special Revenue Funds</u>	<u>Total Nonmajor Governmental Funds</u>
Cash and cash equivalents	\$ 86,499	\$ 1,138,073	\$ 1,224,572
Accounts Receivable	-	106	106
Due from other governments	-	128,151	128,151
Due from other funds	-	127,209	127,209
Total assets	<u>\$ 86,499</u>	<u>\$ 1,393,539</u>	<u>\$ 1,480,038</u>
<u>Liabilities</u>			
Accounts payable	\$ -	\$ 131,018	\$ 131,018
Unearned revenues	-	118,911	118,911
Due to other funds	-	140,975	140,975
Total liabilities	<u>-</u>	<u>390,904</u>	<u>390,904</u>
<u>Fund Balance</u>			
Fund balance:			
Restricted	<u>86,499</u>	<u>1,002,635</u>	<u>1,089,134</u>
Total fund balance	<u>86,499</u>	<u>1,002,635</u>	<u>1,089,134</u>
Total liabilities and fund balance	<u>\$ 86,499</u>	<u>\$ 1,393,539</u>	<u>\$ 1,480,038</u>

COUNTY OF WARREN, PENNSYLVANIA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2018

	Debt Service Fund	Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
<b>Revenues</b>			
Real estate taxes	\$ 613,574	\$ -	\$ 613,574
Intergovernmental revenue	-	2,052,227	2,052,227
Charges for services	-	182,834	182,834
Interest and investment income	1,298	3,349	4,647
Other revenue	-	91,467	91,467
Total Revenues	<u>614,872</u>	<u>2,329,877</u>	<u>2,944,749</u>
<b>Expenditures</b>			
Current operating:			
General government	-	377,334	377,334
Public safety	-	889,860	889,860
Public works	-	188,085	188,085
Human services	-	772,122	772,122
Conservation and development	-	246,843	246,843
Debt service			
Principal	675,000	-	675,000
Interest	16,200	-	16,200
Total Expenditures	<u>691,200</u>	<u>2,474,244</u>	<u>3,165,444</u>
Excess (deficiency) of revenues over expenditures	<u>(76,328)</u>	<u>(144,367)</u>	<u>(220,695)</u>
Other financing sources (uses)			
Transfers in	-	220,892	220,892
Total other financing sources (uses)	<u>-</u>	<u>220,892</u>	<u>220,892</u>
Net change in fund balance	(76,328)	76,525	197
Fund balance, beginning of year (as restated)	<u>162,827</u>	<u>926,110</u>	<u>1,088,937</u>
Fund balance, end of year	<u>\$ 86,499</u>	<u>\$ 1,002,635</u>	<u>\$ 1,089,134</u>

COUNTY OF WARREN, PENNSYLVANIA  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 DECEMBER 31, 2018

	Liquid Fuels	DUI	Orphan Fund	Prothonotary	Records Improvement	Housing Trust	Small Communities	Hazmat
<hr/> <b>Assets</b> <hr/>								
Cash and cash equivalents	\$ 30,935	\$ 98,616	\$ 14,337	\$ 12,623	\$ 171,258	\$ 42,817	\$ 5,536	\$ 9,082
Accounts Receivable	-	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	6,174	-
Due from other funds	-	-	-	-	113,802	11,722	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	\$ 30,935	\$ 98,616	\$ 14,337	\$ 12,623	\$ 285,060	\$ 54,539	\$ 11,710	\$ 9,082
<hr/> <b>Liabilities</b> <hr/>								
Accounts payable	\$ 17,054	\$ 37,634	\$ -	\$ -	\$ -	\$ 5,523	\$ 471	\$ 375
Unearned revenue	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	1,208
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	17,054	37,634	-	-	-	5,523	471	1,583
<hr/> <b>Fund Balance</b> <hr/>								
Fund balance:								
Restricted	13,881	60,982	14,337	12,623	285,060	49,016	11,239	7,499
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balance	13,881	60,982	14,337	12,623	285,060	49,016	11,239	7,499
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and fund balance	\$ 30,935	\$ 98,616	\$ 14,337	\$ 12,623	\$ 285,060	\$ 54,539	\$ 11,710	\$ 9,082

COUNTY OF WARREN, PENNSYLVANIA  
 COMBINING BALANCE SHEET (CONTINUED)  
 NONMAJOR SPECIAL REVENUE FUNDS  
 DECEMBER 31, 2018

	Juvenile Probation	E-911	Domestic Relations	Drug and Alcohol Fund	Human Services Development Fund	Total
<hr/> <b>Assets</b> <hr/>						
Cash and cash equivalents	\$ 9,725	\$ 147,664	\$ 437,454	\$ 139,392	\$ 18,634	\$ 1,138,073
Accounts Receivable	-	66	-	40	-	106
Due from other governments	-	-	72,833	49,144	-	128,151
Due from other funds	-	-	-	1,685	-	127,209
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 9,725</u>	<u>\$ 147,730</u>	<u>\$ 510,287</u>	<u>\$ 190,261</u>	<u>\$ 18,634</u>	<u>\$ 1,393,539</u>
<hr/> <b>Liabilities</b> <hr/>						
Accounts payable	\$ -	\$ -	\$ 6,391	\$ 60,486	\$ 3,084	\$ 131,018
Unearned revenue	-	-	-	104,081	14,830	118,911
Due to other funds	125	113,228	-	25,694	720	140,975
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	<u>125</u>	<u>113,228</u>	<u>6,391</u>	<u>190,261</u>	<u>18,634</u>	<u>390,904</u>
<hr/> <b>Fund Balance</b> <hr/>						
Fund balance:						
Restricted	9,600	34,502	503,896	-	-	1,002,635
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balance	<u>9,600</u>	<u>34,502</u>	<u>503,896</u>	<u>-</u>	<u>-</u>	<u>1,002,635</u>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and fund balance	<u>\$ 9,725</u>	<u>\$ 147,730</u>	<u>\$ 510,287</u>	<u>\$ 190,261</u>	<u>\$ 18,634</u>	<u>\$ 1,393,539</u>

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, 2018

	Liquid Fuels	DUI	Orphan Fund	Prothonotary	Records Improvement	Housing Trust	Small Communities	Hazmat
<b>Revenues</b>								
Intergovernmental	\$ 187,104	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 179,370	\$ -
Charges for services	-	117,785	525	6,873	13,015	-	-	33,570
Interest and investment income	23	67	71	6	122	29	5	27
Miscellaneous	-	2,000	-	-	-	-	6,127	-
<b>Total Revenues</b>	<b>187,127</b>	<b>119,852</b>	<b>596</b>	<b>6,879</b>	<b>13,137</b>	<b>29</b>	<b>185,502</b>	<b>33,597</b>
<b>Expenditures</b>								
Current operating:								
General government	-	-	-	8,456	-	-	-	-
Public safety	-	193,604	-	-	-	-	-	38,186
Public works	188,085	-	-	-	-	-	-	-
Human services	-	-	-	-	-	-	-	-
Conservation and development	-	-	-	-	-	72,284	174,559	-
Miscellaneous	-	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>188,085</b>	<b>193,604</b>	<b>-</b>	<b>8,456</b>	<b>-</b>	<b>72,284</b>	<b>174,559</b>	<b>38,186</b>
Excess (deficiency) of revenues over expenditures	(958)	(73,752)	596	(1,577)	13,137	(72,255)	10,943	(4,589)
<b>Other financing sources (uses)</b>								
Transfers in	-	-	-	-	9,628	34,316	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,628</b>	<b>34,316</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>(958)</b>	<b>(73,752)</b>	<b>596</b>	<b>(1,577)</b>	<b>22,765</b>	<b>(37,939)</b>	<b>10,943</b>	<b>(4,589)</b>
<b>Fund balance (deficit), beginning of year</b>	<b>14,839</b>	<b>134,734</b>	<b>13,741</b>	<b>14,200</b>	<b>262,295</b>	<b>86,955</b>	<b>296</b>	<b>12,088</b>
<b>Fund balance (deficit), end of year</b>	<b>\$ 13,881</b>	<b>\$ 60,982</b>	<b>\$ 14,337</b>	<b>\$ 12,623</b>	<b>\$ 285,060</b>	<b>\$ 49,016</b>	<b>\$ 11,239</b>	<b>\$ 7,499</b>

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, 2018

	Juvenile Probation	E-911	Domestic Relations	Drug and Alcohol Fund	Human Services Development Fund	Total
<b>Revenues</b>						
Intergovernmental	-	\$ 707,389	\$ 300,433	\$ 637,317	\$ 40,614	\$ 2,052,227
Charges for services	-	286	10,780	-	-	182,834
Interest and investment income	6	2,727	-	255	11	3,349
Miscellaneous	-	-	-	83,340	-	91,467
Total Revenues	<u>6</u>	<u>710,402</u>	<u>311,213</u>	<u>720,912</u>	<u>40,625</u>	<u>2,329,877</u>
<b>Expenditures</b>						
Current operating:						
General government	-	-	368,878	-	-	377,334
Public safety	379	657,691	-	-	-	889,860
Public works	-	-	-	-	-	188,085
Human services	-	-	-	731,497	40,625	772,122
Conservation and development	-	-	-	-	-	246,843
Miscellaneous	-	-	-	-	-	-
Total Expenditures	<u>379</u>	<u>657,691</u>	<u>368,878</u>	<u>731,497</u>	<u>40,625</u>	<u>2,474,244</u>
Excess (deficiency) of revenues over expenditures	<u>(373)</u>	<u>52,711</u>	<u>(57,665)</u>	<u>(10,585)</u>	<u>-</u>	<u>(144,367)</u>
<b>Other financing sources (uses)</b>						
Transfers in	-	-	166,363	10,585	-	220,892
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>166,363</u>	<u>10,585</u>	<u>-</u>	<u>220,892</u>
Net change in fund balance	<u>(373)</u>	<u>52,711</u>	<u>108,698</u>	<u>-</u>	<u>-</u>	<u>76,525</u>
Fund balance (deficit), beginning of year	<u>9,973</u>	<u>(18,209)</u>	<u>395,198</u>	<u>-</u>	<u>-</u>	<u>926,110</u>
Fund balance (deficit), end of year	<u>\$ 9,600</u>	<u>\$ 34,502</u>	<u>\$ 503,896</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,002,635</u>