

**County of Washington,
Pennsylvania**

**Financial Statements and Required
Supplementary and Supplementary Information**

**Year Ended December 31, 2016
with Independent Auditor's Reports**

MaherDuessel
Certified Public Accountants

Pittsburgh | Harrisburg | Butler

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COUNTY OF WASHINGTON, PENNSYLVANIA

YEAR ENDED DECEMBER 31, 2016

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Independent Auditor's Report

Board of County Commissioners
County Controller
County of Washington, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Washington, Pennsylvania (County), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County as of December 31, 2016 and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the

Board of County Commissioners
County Controller
County of Washington, Pennsylvania
Independent Auditor's Report

General Fund and Human Services Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension information and OPEB information on pages i through xi and 57 through 61, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The supplementary information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 4, 2017 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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* in considering the County's internal control over financial reporting and compliance.

Maher Duessel

Pittsburgh, Pennsylvania
August 4, 2017

Management's Discussion and Analysis

The following Management's Discussion and Analysis (MD&A) of the County of Washington's (County) financial statements provides an overview of the financial performance for the year ended December 31, 2016. It is recommended that it be read in conjunction with the basic financial statements and the accompanying notes to those statements.

The MD&A is designed to focus on the current year's activities and resulting changes in the County's financial position.

Financial Highlights

The General Fund reported an ending fund balance of \$19,742,809, a decrease of \$1,231,295 from 2015.

The County had \$48,083,777 of general obligation debt as of December 31, 2016. This represents a decrease of \$1,562,625 from 2015.

The County had a \$47.9 million unrestricted net position for its governmental activities as of December 31, 2016, a decrease of \$5.6 million from the previous year. Total assets increased by \$2.7 million, total liabilities decreased by \$5.8 million from 2015. Net investment in capital assets increased by \$8.8 million from the previous year, contributing to the decrease in the unrestricted net position.

The County received \$5,962,238 in Act 13 funds in 2016. This was the fifth year funds were received from this impact fee levied on unconventional gas wells.

A County-wide reassessment of commercial and residential properties began in the fall of 2013 and concluded in the summer of 2016. Formal and informal appeals took place before an expanded tax appeals board, ending in the late fall of 2016. A total of \$2.3 million was spent in 2016, including contracted services and associated costs involved with the reassessment and subsequent appeals.

The County reclassified the 911 Fund from a Proprietary Fund to a Special Revenue Fund in 2016.

The County has an Aa2 bond rating from Moody's Investors Services.

The County's real estate millage remained at 24.9 mills.

Overview of the Financial Statements

The MD&A is intended to serve as an introduction to the County's basic financial statements, which consist of three components:

- 1) Government-wide financial statements
- 2) Fund financial statements
- 3) Notes to the financial statements

The basic financial statements present two different views of the County and will be explained in more detail later in this narrative. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the County.

Government-wide Financial Statements

Government-wide financial statements provide information on governmental and business-type activities in a manner similar to the private sector. The two government-wide financial statements are the Statement of Net Position and the Statement of Activities. Fiduciary activities, whose resources are not available to finance County programs, are excluded from these statements.

The Statement of Net Position presents all of the County's assets, deferred outflows, and liabilities, recording the difference as net position. Over time, increases or decreases in net position measure whether the County's financial position is improving or deteriorating.

The Statement of Activities presents information showing how the County's net position changed during 2016. Because it separates program revenue from general revenue, it shows to what extent each program relies on real estate taxes, charges for services, and intergovernmental revenues for funding.

All changes in net position are reported using the accrual basis of accounting, similar to the method used by most private-sector companies. The accrual basis of accounting requires that revenues be reported when they are earned and expenses when goods and services are received.

Both statements report the following activities:

Governmental Activities - Most of the County's basic services are in this category, including General Government, Judicial, Public Safety, and Human Services. Real estate taxes, charges for services, and intergovernmental revenue primarily fund these programs.

Business-type Activities - These include the County Health Center and Health Choices, and intend to recover their costs of operations primarily through user charges.

Fund Financial Statements

Fund financial statements provide more detailed information about the County's funds with an emphasis on major funds, not the County as a whole. A fund is a group of related accounts used to maintain control over resources that have been segregated for specific activities.

The County has three types of funds:

Governmental Funds: These funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on expendable resources available at the end of the year.

Governmental fund statements provide a detailed short-term view of financial resources available in the near future to finance County programs. The County maintains a multitude of individual governmental funds. The following are listed as major funds:

General Fund
Human Services Fund
Capital Expenditures Fund

These have been identified as major funds based on criteria set forth in Governmental Accounting Standards Board (GASB) Statement No. 34. Financial data for remaining governmental funds are combined into a single presentation labeled Other Governmental Funds.

Proprietary Funds: Proprietary funds are financed and operated in a manner similar to private business enterprises in which costs are recovered primarily through user charges. The type of proprietary fund that the County uses for its Health Center and Health Choices, is an Enterprise Fund.

Fiduciary Funds: The County is the trustee, or fiduciary, for its employees' pension plan and other post-employment benefits trust. In addition, the County is also responsible for agency funds, which represent clearing accounts for assets held by the County in its role as custodian until funds are allocated to private parties, organizations, or government agencies to which they belong. Fiduciary activities are reported in a similar manner to proprietary funds in a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. All fiduciary activities are excluded from the County's government-wide financial statements because the assets of these funds are not available to support County programs.

Notes to the Financial Statements: Notes to the basic financial statements provide additional information essential to a full understanding of the detail provided in the government-wide and fund financial statements. The notes begin on page 14 of this report.

Required Supplementary Information: Following the basic financial statements is additional Required Supplementary Information (RSI) that further explains and supports information in the financial statements.

Government-wide Statements of Net Position

The following table summarizes the Statement of Net Position as of December 31, 2016 and compares it to 2015.

Summary of Net Position

	Government Activities		Business-Type Activities	
	2016	2015	2016	2015
Assets:				
Current and other assets	\$ 85,173,869	\$ 89,720,193	\$ 5,673,324	\$ 9,629,076
Capital assets	79,061,836	71,799,673	6,518,642	9,144,323
Total Assets	164,235,705	161,519,866	12,191,966	18,773,399
Deferred Outflows of Resources:				
Related to pensions	12,592,389	17,679,155	-	-
Deferred charge on refunding	1,106,505	780,815	-	-
Total Deferred Outflows of Resources	13,698,894	18,459,970	-	-
Liabilities:				
Current liabilities	49,211,645	53,406,994	5,852,520	7,188,046
Other liabilities	45,615,626	47,175,636	-	-
Total Liabilities	94,827,271	100,582,630	5,852,520	7,188,046
Deferred Inflows of Resources:				
Related to pension	167,944	-	-	-
Total Deferred Inflows of Resources	167,944	-	-	-
Net Position:				
Net Investment in capital assets	33,780,963	24,974,330	6,518,642	9,144,323
Restricted	1,256,203	869,095	48,216	3,100,750
Unrestricted	47,902,218	53,553,781	(227,412)	183,254
Total Net Position	\$ 82,939,384	\$ 79,397,206	\$ 6,339,446	\$ 12,428,327

Net Position

For 2016, net position of governmental activities increased by \$3,542,178 to \$82,939,384. Governmental activities unrestricted net position, funds available for operations or payment of long-term debt, decreased by \$5,651,563.

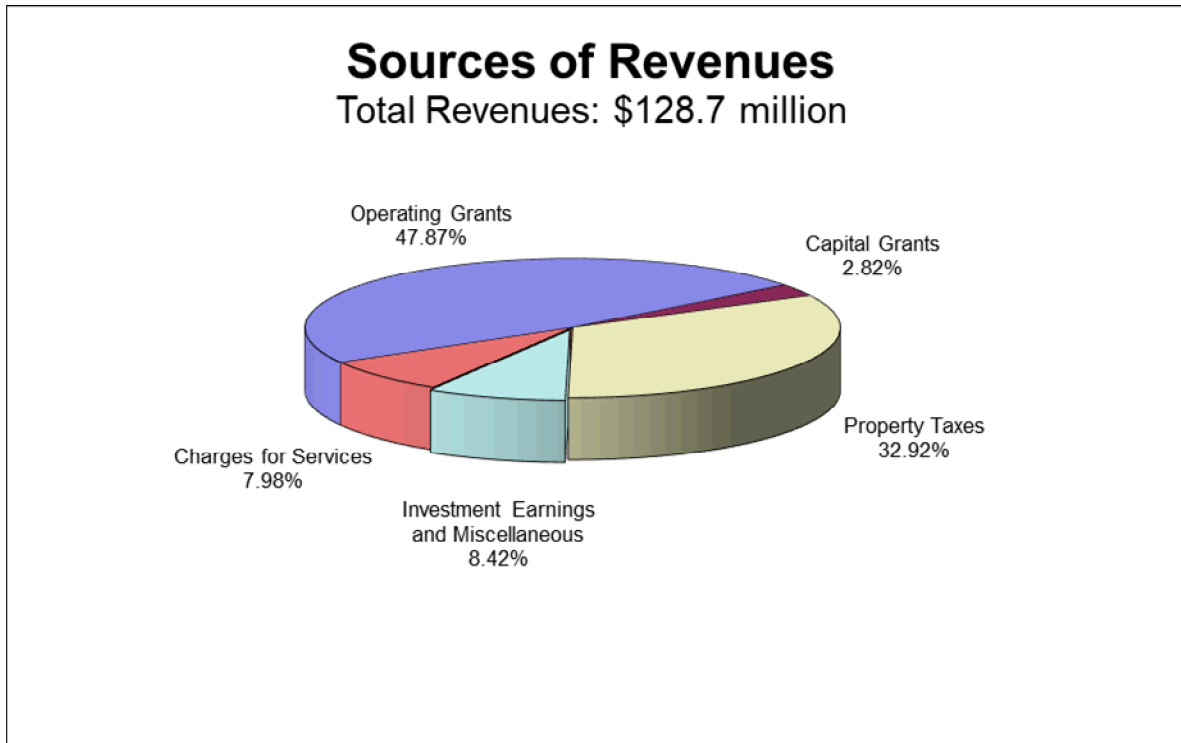
**Summary of Changes in Net Position
For the Years Ended December 31, 2016 and 2015**

	Governmental Activities		Business-Type Activities	
	2016	2015	2016	2015
Revenues:				
Program Revenues:				
Charges for services	\$ 10,265,470	\$ 13,960,815	\$ 27,020,627	\$ 66,551,156
Operating grants and contributions	61,615,694	53,917,709	-	2,345,466
Capital grants and contributions	3,626,490	5,107,713	-	-
General revenues:				
Property taxes	42,366,724	42,204,254	-	-
Investment earnings	188,052	117,126	4,564	9,826
Reimbursed expenses	-	2,011,731	-	-
Miscellaneous	10,650,742	10,633,628	-	-
Total Revenues	128,713,172	127,952,976	27,025,191	68,906,448
Expenses:				
General government	28,013,863	28,083,169	-	-
Judicial	17,447,319	16,181,301	-	-
Public safety	23,443,604	17,317,955	-	4,430,861
Public works	2,801,438	3,320,220	-	-
Human services	50,541,428	49,738,792	33,495,973	69,014,537
Culture and recreation	467,132	383,044	-	-
Conservation and development	341,321	316,972	-	-
Interest on long-term debt	1,732,988	1,756,307	-	-
Total Expenses	124,789,093	117,097,760	33,495,973	73,445,398
Excess (Deficiency) of Revenues Over				
Expenses Before Transfers	3,924,079	10,855,216	(6,470,782)	(4,538,950)
Transfers	(3,223,995)	(3,011,820)	3,223,995	3,011,820
Transfers (911 Fund reclassification)	2,842,094	-	(2,842,094)	-
Total Transfers	(381,901)	(3,011,820)	381,901	3,011,820
Change in Net Position	3,542,178	7,843,396	(6,088,881)	(1,527,130)
Net Position - Beginning	79,397,206	71,553,810	12,428,327	13,955,477
Net Position - Ending	\$ 82,939,384	\$ 79,397,206	\$ 6,339,446	\$ 12,428,347

Transfers

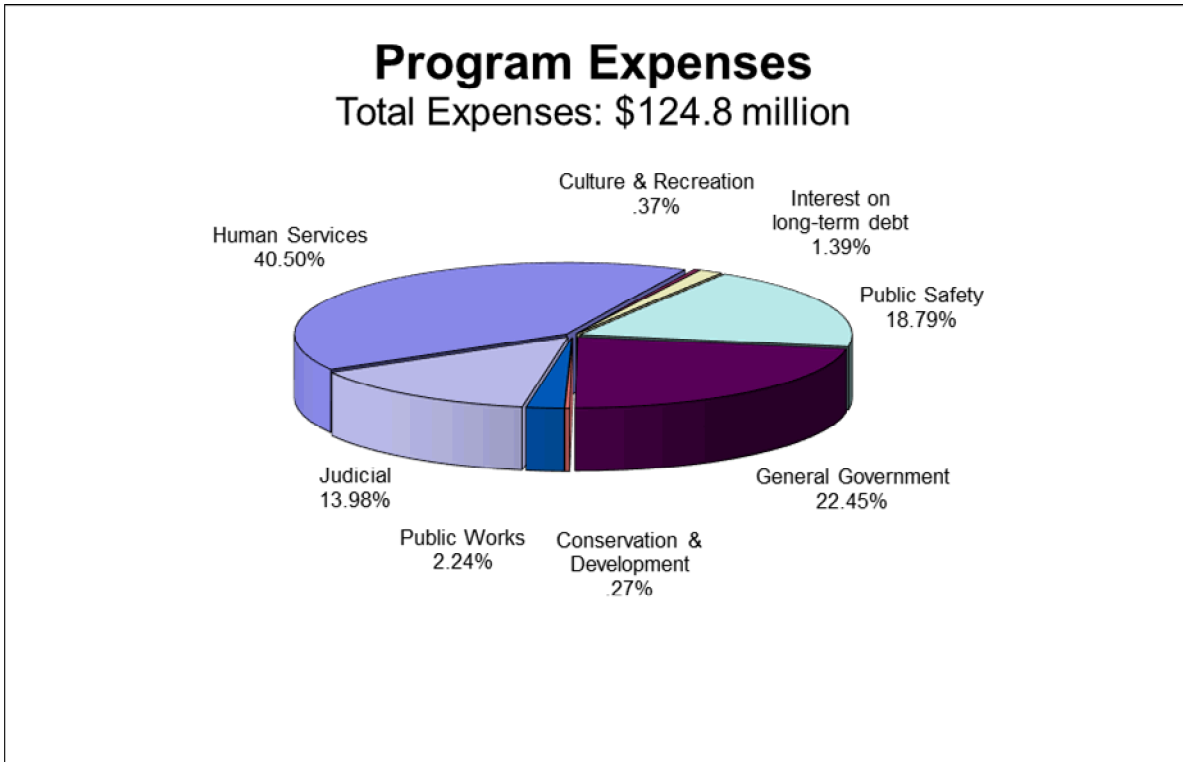
For 2016, the 911 fund was reclassified from a Proprietary Fund (business-type activities) to a Special Revenue Fund (governmental activities). This transfer reflects the fund reclassification.

The following chart shows the composition of revenues for the year ended December 31, 2016:



Total government-wide revenues of \$128.7 million were derived primarily from program-based operating grants, representing 47.87% of the total. Real estate taxes made up the second largest source of revenue at 32.92%.

The following chart graphically depicts the government-wide program expenses for the year ended December 31, 2016:



Net Cost of Government Activities

The following table presents a summary of expenses, program revenues and the net cost of services before taxes, investment earnings and other income. Total expenses were \$124.8 million with a net cost of services of \$49.3 million.

Net Cost of Washington County's Governmental Activities For the Years Ended December 31, 2016 and 2015

	Expenses		Program Revenues		Net Cost of Services	
	2016	2015	2016	2015	2016	2015
General government	\$ 28,013,863	\$ 28,083,169	\$ 5,415,627	\$ 8,198,382	\$ 22,598,236	\$ 19,884,787
Judicial	17,447,319	16,181,301	6,907,146	8,199,368	10,540,173	7,981,933
Public safety	23,443,604	17,317,955	6,394,006	2,007,026	17,049,598	15,310,929
Public works	2,801,438	3,320,220	3,318,940	3,805,124	(517,502)	(484,904)
Human services	50,541,428	49,738,792	53,120,147	49,437,301	(2,578,719)	301,491
Culture and recreation	467,132	383,044	351,266	1,338,570	115,866	(955,526)
Conservation and development	341,321	316,972	522	466	340,799	316,506
Debt service	<u>1,732,988</u>	<u>1,756,307</u>	<u>-</u>	<u>-</u>	<u>1,732,988</u>	<u>1,756,307</u>
Totals	<u>\$ 124,789,093</u>	<u>\$ 117,097,760</u>	<u>\$ 75,507,654</u>	<u>\$ 72,986,237</u>	<u>\$ 49,281,439</u>	<u>\$ 44,111,523</u>

Financial Analysis of County's Funds

The County uses fund accounting to ensure compliance with finance-related legal requirements.

Governmental Funds

For the year ended December 31, 2016, the County had combined ending fund balances of \$63,055,055, an increase of \$505,943 from 2015.

The General Fund is the chief operating fund of the County. Unless otherwise required by statute, contractual agreement, or policy, all County revenues and expenditures are recorded in the General Fund. At the end of 2016, the total General Fund balance was \$19,742,809, a decrease of \$1,231,295 from 2015.

General Fund revenues increased by \$2,052,230 during 2016, from \$78,060,274 to \$80,112,504, while expenditures in the fund increased from \$74,194,273 to \$75,553,911.

The Human Services Special Revenue Fund accounts for the provision of various social services to eligible County residents. These services are funded by various federal and state grants. The year-end fund balance was \$0.

The Capital Expenditures Fund provides for the acquisition or construction of major capital facilities other than those financed by proprietary funds. The year-end fund balance increased by \$176,873.

Proprietary Funds

The County maintains two proprietary funds, all Enterprise Funds, to finance the County Health Center and Health Choices. These Enterprise Funds provide the same type of information found in government-wide financial statements but in greater detail.

Total net position of the Washington County Health Center at December 31, 2016 was \$6,291,230, a decrease of \$194,253 from 2015. The facility had an operating loss of \$3,412,730 for 2016. The 288-bed facility had an occupancy rate of 89% in 2016.

The Health Choices Fund was designed to introduce an integrated and coordinated health care delivery system to serve medical assistance recipients requiring medical, psychiatric, and substance abuse services through a capitated, mandatory managed-care program. The Health Choices Fund had a year-end net position of \$48,216, a decrease of \$3,052,534 from 2015. During 2016, the County ceased receiving health choices funds from the Department of Human Services. The funds are now paid directly to Southwest Behavioral Health Management, Inc., who administers the health choices program.

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund Changes in Budget

This section summarizes the major factors involved in the variances in revenue and expenditure budgets. Variances are between the original and final amended budget and the final amended budget and actual General Fund amounts.

The annual budget is adopted in accordance with the County Code of the Commonwealth of Pennsylvania. Budgets are adopted on a departmental basis. During the course of the year, circumstances may occur that require a departmental budget to be increased. The Board of Commissioners, at a public meeting, must approve any adjustment that changes a department's total budget.

Expenditures and Other Financing Uses Variances

At the final meeting of the year, \$1,690,000 was allocated to departments anticipated to exceed their original budgets. Of this amount, the largest adjustments were for the Coroner and Interfund Transfers. The overall variance between the actual expenditures and the final budget was a positive variance of \$2,313,504.

Revenue Variances

Variances between actual revenue and budgeted revenue for the year reflected a positive variance in the amount of \$287,073.

Capital Assets and Debt Administration

The County's net investment in capital assets amounted to \$85,580,478, as of December 31, 2016.

Summary of Capital Assets

	<u>Government Activities</u>		<u>Business-Type Activities</u>		<u>Balances as of December 31</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Land and improvements	\$ 15,577,344	\$ 12,646,874	\$ -	\$ -	\$ 15,577,344	\$ 12,646,874
Buildings and improvements	23,821,214	21,475,016	6,314,494	6,638,926	30,135,708	28,113,942
Furniture, fixtures, and equipment	8,544,912	6,988,146	204,148	2,463,659	8,749,060	9,451,805
Infrastructure	26,328,114	26,032,909	-	-	26,328,114	26,032,909
Construction in progress	4,790,252	4,656,728	-	41,738	4,790,252	4,698,466
Total	<u>\$ 79,061,836</u>	<u>\$ 71,799,673</u>	<u>\$ 6,518,642</u>	<u>\$ 9,144,323</u>	<u>\$ 85,580,478</u>	<u>\$ 80,943,996</u>

Highlights of amounts expended in 2016 for major capital assets include:

- \$1,653,000 for development at the County Airport.
- \$2,190,000 for renovations to County Buildings.
- \$1,170,000 for improvements to the County Parks.
- \$1,523,000 for improvements to County Bridges.

Further details can be found in Note 4 of the County's financial statements.

Long-Term Debt

As of December 31, 2016, the County had outstanding debt of \$48,083,777. This was a decrease of \$1,562,625 from the previous year.

Outstanding Debt as of December 31, 2016 and 2015

	Government Activities		Business-Type Activities		Balances as of December 31	
	2016	2015	2016	2015	2016	2015
General obligation bonds	\$ 43,917,749	\$ 44,090,627	\$ -	\$ -	\$ 43,917,749	\$ 44,090,627
Lease rental debt	4,166,028	5,555,775	-	-	4,166,028	5,555,775
Total	<u>\$ 48,083,777</u>	<u>\$ 49,646,402</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,083,777</u>	<u>\$ 49,646,402</u>

Further details found in Note 8 to the County's financial statements.

Economic Factors and the 2017 Budget

The real estate tax rate for 2017 changed from 24.9 mills to 2.43 mills as a result of the newly reassessed property values. The decrease is due to the millage for 2017 being based on 100% of property value, whereas in previous years the millage was based on 25% of property value. The County will remain relatively revenue neutral with no significant increase expected in tax revenues.

The County's 2017 actuarially determined contribution to the Retirement Fund is \$4,414,689, a decrease of \$195,909 from 2016.

The \$178 million consolidated budget for 2017 represents a roughly 2.42% increase from 2016.

As of June 1, 2017, the County accepted a proposal from Premier Healthcare Management LLC to purchase the Washington County Health Center. The purchase price, purchase of accounts receivable and other adjustments total \$29.6 million. The sale is expected to be finalized in late summer or early fall of 2017.

Contacting the County's Financial Management

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

Washington County Controller's Office
Courthouse Square, Suite 403
100 West Beau Street
Washington, PA 15301

COUNTY OF WASHINGTON, PENNSYLVANIA

STATEMENT OF NET POSITION

DECEMBER 31, 2016

Assets	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 57,984,512	\$ 1,451,262	\$ 59,435,774
Residents' and other restricted funds	-	87,009	87,009
Receivables:			
Taxes receivable, net of allowance	1,744,573	-	1,744,573
Internal balances	872,273	(872,273)	-
Due from other governments	15,002,429	3,684,200	18,686,629
Interest and other	9,321,138	1,316,475	10,637,613
Loans receivable	110,744	-	110,744
Prepaid assets and other	138,200	6,651	144,851
Capital assets not being depreciated	5,270,252	-	5,270,252
Capital assets, net of accumulated depreciation	73,791,584	6,518,642	80,310,226
Total Assets	164,235,705	12,191,966	176,427,671
Deferred Outflows of Resources			
Related to pensions	12,592,389	-	12,592,389
Deferred charge on refunding	1,106,505	-	1,106,505
Total Deferred Outflows of Resources	13,698,894	-	13,698,894
Liabilities			
Accounts payable	17,718,761	881,280	18,600,041
Accrued payroll and other expenses	2,147,313	927,311	3,074,624
Accrued interest payable	530,307	-	530,307
Unearned revenue	562,655	91,292	653,947
Net other post-employment benefits obligation	8,648,630	3,865,666	12,514,296
Net pension liability	17,238,979	-	17,238,979
Residents' and other restricted funds	-	86,971	86,971
Bonds payable:			
Amount due within one year	2,365,000	-	2,365,000
Amount due in more than one year	45,718,777	-	45,718,777
Net discount on bonds	(103,151)	-	(103,151)
Net bonds payable	47,980,626	-	47,980,626
Total Liabilities	94,827,271	5,852,520	100,679,791
Deferred Inflows of Resources			
Related to pensions	167,944	-	167,944
Net Position			
Net investment in capital assets	33,780,963	6,518,642	40,299,605
Restricted for:			
Health Choices	-	48,216	48,216
Liquid fuels	1,256,203	-	1,256,203
Unrestricted	47,902,218	(227,412)	47,674,806
Total Net Position	\$ 82,939,384	\$ 6,339,446	\$ 89,278,830

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

COUNTY OF WASHINGTON, PENNSYLVANIA

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2016

<u>Functions/Programs</u>	Program Revenues				Net (Expense) Revenue and Change in Net Position		
	Expenses	Charges for Services	Operating	Capital	Primary Government		
			Grants and Contributions	Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental activities:							
General government - administration	\$ 28,013,863	\$ 3,511,667	\$ 1,886,907	\$ 17,053	\$ (22,598,236)	\$ -	\$ (22,598,236)
General government - judicial	17,447,319	4,399,344	2,396,038	111,764	(10,540,173)	-	(10,540,173)
Public safety	23,443,604	1,111,924	5,282,082	-	(17,049,598)	-	(17,049,598)
Public works and enterprises	2,801,438	332	-	3,318,608	517,502	-	517,502
Human services	50,541,428	1,169,480	51,950,667	-	2,578,719	-	2,578,719
Culture and recreation	467,132	72,723	100,000	178,543	(115,866)	-	(115,866)
Conservation and development	341,321	-	-	522	(340,799)	-	(340,799)
Interest and amortization	1,732,988	-	-	-	(1,732,988)	-	(1,732,988)
Total governmental activities	124,789,093	10,265,470	61,615,694	3,626,490	(49,281,439)	-	(49,281,439)
Business-type activities:							
Washington County Health Center	30,389,415	26,966,781	-	-	-	(3,422,634)	(3,422,634)
Health Choices	3,106,558	53,846	-	-	-	(3,052,712)	(3,052,712)
Total business-type activities	33,495,973	27,020,627	-	-	-	(6,475,346)	(6,475,346)
Total Primary Government	\$ 158,285,066	\$ 37,286,097	\$ 61,615,694	\$ 3,626,490	(49,281,439)	(6,475,346)	(55,756,785)
General revenues:							
Taxes:							
Property taxes, levied for general purposes, net of uncollectibles					41,125,196	-	41,125,196
Hotel tax					1,241,528	-	1,241,528
Interest					188,052	4,564	192,616
Rents and royalties					4,283,722	-	4,283,722
ACT 13 Impact Fee					5,962,328	-	5,962,328
Payments in lieu of taxes					129,589	-	129,589
Miscellaneous					275,103	-	275,103
Transfers					(381,901)	381,901	-
Total general revenues and transfers					52,823,617	386,465	53,210,082
Change in Net Position					3,542,178	(6,088,881)	(2,546,703)
Net Position:							
Beginning of year					79,397,206	12,428,327	91,825,533
End of year					\$ 82,939,384	\$ 6,339,446	\$ 89,278,830

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

COUNTY OF WASHINGTON, PENNSYLVANIA

BALANCE SHEET - GOVERNMENTAL FUNDS

DECEMBER 31, 2016

	General	Human Services	Capital Expenditures	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 13,251,898	\$ 2,007,359	\$ 36,386,407	\$ 6,338,848	\$ 57,984,512
Receivables:					
Taxes receivable, net of allowance	1,600,995	-	-	143,578	1,744,573
Due from other governments	10,511,738	780,103	429,264	3,281,324	15,002,429
Interest and other	4,923,013	8,105	4,353,061	36,959	9,321,138
Loans receivable	-	-	-	110,744	110,744
Total receivables	<u>17,035,746</u>	<u>788,208</u>	<u>4,782,325</u>	<u>3,572,605</u>	<u>26,178,884</u>
Due from other funds	1,450,833	-	5	38,619	1,489,457
Prepays and other	105,413	-	28,363	4,424	138,200
Total Assets	<u>\$ 31,843,890</u>	<u>\$ 2,795,567</u>	<u>\$ 41,197,100</u>	<u>\$ 9,954,496</u>	<u>\$ 85,791,053</u>
Liabilities, Deferred Inflow of Resources, and Fund Balance					
Liabilities:					
Accounts payable	\$ 8,906,739	\$ 2,466,297	\$ 3,593,838	\$ 2,708,175	\$ 17,675,049
Accrued payroll and other expenditures	1,552,036	329,055	-	202,238	2,083,329
Unearned revenue	66,844	-	21,255	474,556	562,655
Due to other funds	23,629	215	497	592,843	617,184
Total Liabilities	<u>10,549,248</u>	<u>2,795,567</u>	<u>3,615,590</u>	<u>3,977,812</u>	<u>20,938,217</u>
Deferred Inflows of Resources:					
Unavailable revenue - loan repayment	-	-	-	110,744	110,744
Unavailable revenue - real estate taxes	1,551,833	-	-	135,204	1,687,037
Total Deferred Inflows of Resources	<u>1,551,833</u>	<u>-</u>	<u>-</u>	<u>245,948</u>	<u>1,797,781</u>
Fund Balance:					
Nonspendable:					
Inventories and prepaids	105,413	-	28,363	4,424	138,200
Restricted for:					
Debt service	-	-	-	2,589,009	2,589,009
Liquid fuels	-	-	-	1,256,203	1,256,203
Emergency communication	-	-	-	1,269,611	1,269,611
Committed for:					
Capital projects	-	-	37,522,712	-	37,522,712
Hazardous materials	-	-	-	517,522	517,522
Airport operations	-	-	-	28,766	28,766
Domestic relations	-	-	-	45,842	45,842
Assigned for:					
Encumbrances	35,550	-	30,435	19,359	85,344
Unassigned	19,601,846	-	-	-	19,601,846
Total Fund Balance	<u>19,742,809</u>	<u>-</u>	<u>37,581,510</u>	<u>5,730,736</u>	<u>63,055,055</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 31,843,890</u>	<u>\$ 2,795,567</u>	<u>\$ 41,197,100</u>	<u>\$ 9,954,496</u>	<u>\$ 85,791,053</u>

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

COUNTY OF WASHINGTON, PENNSYLVANIA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

DECEMBER 31, 2016

Total Fund Balance - Governmental Funds \$ 63,055,055

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets including infrastructure is \$146,568,462 and the accumulated depreciation is \$67,506,626. 79,061,836

Property taxes receivable will be collected next year but are not considered available soon enough to pay for the current period's expenditures and, therefore, are unavailable in the funds. 1,643,325

Amounts loaned that will be collected in future years but are not considered available soon enough to pay for the current period's expenditures and, therefore, are unavailable in the funds. 110,744

Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are capitalized and amortized in the statement of net position. 1,209,656

The actuarially accrued net pension liability and deferred outflows and inflows of resources for pensions are not recorded on the fund financial statements. (4,814,534)

Long-term liabilities, including bonds payable, compensated absences, accrued interest, and net post-employment benefits obligation, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Bonds payable	\$ (48,083,777)	
Compensated absences	(63,984)	
Accrued interest on bonds	(530,307)	
Net post-employment benefits obligation	(8,648,630)	<u>(57,326,698)</u>

Total Net Position - Governmental Activities \$ 82,939,384

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

COUNTY OF WASHINGTON, PENNSYLVANIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2016

	General	Human Services	Capital Expenditures	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 38,011,555	\$ -	\$ -	\$ 3,280,660	\$ 41,292,215
Intergovernmental	27,491,049	17,298,783	6,557,635	20,319,249	71,666,716
Charges for services	12,121,523	-	2,040,131	1,046,331	15,207,985
Fines and forfeits	161,731	-	-	-	161,731
Interest	89,812	7,468	70,282	22,687	190,249
Other	2,236,834	9,843	-	495,028	2,741,705
Total revenues	80,112,504	17,316,094	8,668,048	25,163,955	131,260,601
Expenditures:					
Current:					
General government - administration	12,559,108	-	-	-	12,559,108
General government - judicial	13,306,008	-	-	3,365,591	16,671,599
Public safety	17,503,815	-	-	4,326,066	21,829,881
Public works and enterprises	-	-	-	1,921,645	1,921,645
Human services	22,670,093	17,316,094	-	12,185,504	52,171,691
Culture and recreation	313,274	-	-	-	313,274
Conservation and development	333,144	-	-	-	333,144
Other	8,868,469	-	-	-	8,868,469
Debt service:					
Principal	-	-	-	2,320,000	2,320,000
Interest and fiscal charges	-	-	-	1,433,629	1,433,629
Bond issue costs	-	-	-	136,849	136,849
Capital projects	-	-	8,764,355	1,200,478	9,964,833
Total expenditures	75,553,911	17,316,094	8,764,355	26,889,762	128,524,122
Excess (Deficiency) of Revenues Over Expenditures	4,558,593	-	(96,307)	(1,725,807)	2,736,479
Other Financing Sources (Uses):					
Refunding bonds issued	-	-	-	8,290,000	8,290,000
Bond discount	-	-	-	(42,624)	(42,624)
Payments to refunded bonds escrow agent	-	-	-	(8,110,527)	(8,110,527)
Sale of capital assets	4,190	-	-	-	4,190
Real estate refunds	(287,906)	-	-	-	(287,906)
Loan repayment	-	-	-	4,895	4,895
Transfer in from business-type activity	-	-	-	1,127,295	1,127,295
Transfers in	2,279,066	-	2,670,930	2,017,133	6,967,129
Transfers out	(7,785,238)	-	(2,397,750)	-	(10,182,988)
Total other financing sources (uses)	(5,789,888)	-	273,180	3,286,172	(2,230,536)
Net Change in Fund Balance	(1,231,295)	-	176,873	1,560,365	505,943
Fund Balance:					
Beginning of year	20,974,104	-	37,404,637	4,170,371	62,549,112
End of year	<u>\$ 19,742,809</u>	<u>\$ -</u>	<u>\$ 37,581,510</u>	<u>\$ 5,730,736</u>	<u>\$ 63,055,055</u>

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

COUNTY OF WASHINGTON, PENNSYLVANIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2016

Net Change in Fund Balance - Governmental Funds \$ 505,943

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital outlays (net of deletions) and (net of transfer due to repurpose of 911 Fund)	\$ 12,115,663	
Less: Depreciation expense	<u>(4,853,500)</u>	7,262,163

Some taxes will not be collected for several months after the County of Washington's year-end; they are not considered as "available" revenues in the governmental funds. Unavailable tax revenues decreased by this amount during the year. (148,782)

Loan repayments that will be collected in future years and, therefore, are not considered as "available" revenues in the governmental funds. Unavailable loan repayments decreased by this amount during the year. (13,072)

The issuance of long-term obligations (e.g., bonds, leases, loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term obligations and related items. 1,390,489

Liabilities incurred for post-employment benefits are not due and payable in the current period and, therefore, are not reported in the funds. (1,037,593)

Changes in the net pension liability and related deferred outflows and inflows of resources do not affect current financial resources and, therefore, are not reflected on the fund statements. (4,395,062)

Interest on long-term obligations in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The change in accrued interest is shown here. (21,908)

Change in Net Position of Governmental Activities \$ 3,542,178

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

COUNTY OF WASHINGTON, PENNSYLVANIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL GENERAL FUND

YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 37,430,973	\$ 37,430,973	\$ 38,011,555	\$ 580,582
Intergovernmental	24,923,490	24,923,490	27,491,049	2,567,559
Charges for services	14,995,965	14,995,965	12,121,523	(2,874,442)
Fines and forfeits	170,000	170,000	161,731	(8,269)
Interest	80,000	80,000	89,812	9,812
Other	2,225,003	2,225,003	2,236,834	11,831
Total revenues	<u>79,825,431</u>	<u>79,825,431</u>	<u>80,112,504</u>	<u>287,073</u>
Expenditures:				
Current:				
General government - administration	12,921,199	13,041,999	12,559,108	(482,891)
General government - judicial	13,590,399	13,755,399	13,306,008	(449,391)
Public safety	18,609,212	18,459,212	17,503,815	(955,397)
Human services	23,430,022	22,145,022	22,670,093	525,071
Culture and recreation	273,369	273,369	313,274	39,905
Conservation and development	343,144	343,144	333,144	(10,000)
Other	9,999,270	9,849,270	8,868,469	(980,801)
Total expenditures	<u>79,166,615</u>	<u>77,867,415</u>	<u>75,553,911</u>	<u>(2,313,504)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>658,816</u>	<u>1,958,016</u>	<u>4,558,593</u>	<u>2,600,577</u>
Other Financing Sources (Uses):				
Sale of capital assets	10,000	10,000	4,190	(5,810)
Real estate refunds	(200,000)	(200,000)	(287,906)	(87,906)
Transfers in	-	-	2,279,066	2,279,066
Transfers out	(5,700,000)	(7,000,000)	(7,785,238)	(785,238)
Total other financing sources (uses)	<u>(5,890,000)</u>	<u>(7,190,000)</u>	<u>(5,789,888)</u>	<u>1,400,112</u>
Net Change in Fund Balance	<u>\$ (5,231,184)</u>	<u>\$ (5,231,984)</u>	<u>\$ (1,231,295)</u>	<u>\$ 4,000,689</u>

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

COUNTY OF WASHINGTON, PENNSYLVANIA

HUMAN SERVICES SPECIAL REVENUE FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

YEAR ENDED DECEMBER 31, 2016

	Original and Final Budgeted Amounts	Actual Amounts	Variance
Revenues:			
Intergovernmental:	\$ 18,470,951	\$ 17,298,783	\$ (1,172,168)
Interest	5,771	7,468	1,697
Other	-	9,843	9,843
Total revenues	<u>18,476,722</u>	<u>17,316,094</u>	<u>(1,160,628)</u>
Expenditures:			
Human services	<u>18,476,722</u>	<u>17,316,094</u>	<u>(1,160,628)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

COUNTY OF WASHINGTON, PENNSYLVANIA

STATEMENT OF NET POSITION PROPRIETARY FUNDS

DECEMBER 31, 2016

Assets	Business-type Activities - Enterprise Funds			
	Washington County Health Center	Emergency Communication 911	Health Choices	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,394,080	\$ -	\$ 57,182	\$ 1,451,262
Residents' and other restricted funds	86,971	-	38	87,009
Receivables due from other governments	3,684,016	-	184	3,684,200
Receivables - other	1,316,475	-	-	1,316,475
Prepaid assets and other	6,651	-	-	6,651
Total current assets	6,488,193	-	57,404	6,545,597
Non-current assets:				
Capital assets, net of accumulated depreciation	6,518,642	-	-	6,518,642
Total Assets	13,006,835	-	57,404	13,064,239
Liabilities				
Current liabilities:				
Accounts payable	872,092	-	9,188	881,280
Accrued payroll and related liabilities	927,311	-	-	927,311
Due to other funds	872,273	-	-	872,273
Unearned revenue	91,292	-	-	91,292
Residents' and other restricted funds	86,971	-	-	86,971
Total current liabilities	2,849,939	-	9,188	2,859,127
Long-term liabilities:				
Net other post-employment benefits obligation	3,865,666	-	-	3,865,666
Total Liabilities	6,715,605	-	9,188	6,724,793
Net Position				
Net investment in capital assets	6,518,642	-	-	6,518,642
Restricted for:				
Health Choices	-	-	48,216	48,216
Unrestricted	(227,412)	-	-	(227,412)
Total Net Position	\$ 6,291,230	\$ -	\$ 48,216	\$ 6,339,446

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

COUNTY OF WASHINGTON, PENNSYLVANIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS

YEAR ENDED DECEMBER 31, 2016

	Business-type Activities - Enterprise Funds			Total
	Washington County Health Center	Emergency Communication 911	Health Choices	
Operating Revenues:				
Charges for patient/client services	\$ 26,966,781	\$ -	\$ 53,846	\$ 27,020,627
Operating Expenses:				
Patient/client services	29,654,054	-	3,106,558	32,760,612
Depreciation	725,457	-	-	725,457
Total operating expenses	30,379,511	-	3,106,558	33,486,069
Operating Income (Loss)	(3,412,730)	-	(3,052,712)	(6,465,442)
Non-Operating Revenues (Expenses):				
Loss on disposal of capital assets	(9,904)	-	-	(9,904)
Transfer of capital assets, net of accumulated depreciation	-	(2,233,052)	-	(2,233,052)
Removal of net other post-employment benefits obligation	-	518,253	-	518,253
Interest income	4,386	-	178	4,564
Total non-operating revenues (expenses)	(5,518)	(1,714,799)	178	(1,720,139)
Income (Loss) Before Fund Transfers	(3,418,248)	(1,714,799)	(3,052,534)	(8,185,581)
Transfers in	3,223,995	-	-	3,223,995
Transfers out to special revenue fund	-	(1,127,295)	-	(1,127,295)
Net fund transfers	3,223,995	(1,127,295)	-	2,096,700
Change in Net Position	(194,253)	(2,842,094)	(3,052,534)	(6,088,881)
Net Position:				
Beginning of year	6,485,483	2,842,094	3,100,750	12,428,327
End of year	\$ 6,291,230	\$ -	\$ 48,216	\$ 6,339,446

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

COUNTY OF WASHINGTON, PENNSYLVANIA

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

YEAR ENDED DECEMBER 31, 2016

	Business-type Activities - Enterprise Funds			
	Washington County Health Center	Emergency Communication 911	Health Choices	Total
Cash Flows From Operating Activities:				
Cash received from customers	\$ 26,416,020	\$ -	\$ 3,479,003	\$ 29,895,023
Cash payments for patient and client services	(28,524,118)	-	(3,764,442)	(32,288,560)
Net cash provided by (used in) operating activities	(2,108,098)	-	(285,439)	(2,393,537)
Cash Flows From Capital and Related Financing Activities:				
Purchases of capital assets	(342,732)	-	-	(342,732)
Grant revenue	(36,517)	-	-	(36,517)
Net cash provided by (used in) capital and related financing activities	(379,249)	-	-	(379,249)
Cash Flows From Non-Capital Financing Activities:				
Transfers in (out)	3,223,995	(321,593)	-	2,902,402
Cash Flows From Investing Activities:				
Interest received on investments	4,386	-	178	4,564
Net Increase (Decrease) in Cash and Cash Equivalents	741,034	(321,593)	(285,261)	134,180
Cash and Cash Equivalents:				
Beginning of year	653,046	321,593	342,443	1,317,082
End of year	\$ 1,394,080	\$ -	\$ 57,182	\$ 1,451,262
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Operating income (loss)	\$ (3,412,730)	\$ -	\$ (3,052,712)	\$ (6,465,442)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	725,457	-	-	725,457
Change in:				
Accounts receivable	126,211	-	3,425,341	3,551,552
Due from other governments	(676,972)	-	(184)	(677,156)
Other current assets	47,529	-	-	47,529
Accounts payable	254,691	-	(657,884)	(403,193)
Due to other funds	210,469	-	-	210,469
Net other post-employment benefits obligation	540,727	-	-	540,727
Accrued salaries/benefits	76,520	-	-	76,520
Net cash provided by (used in) operating activities	\$ (2,108,098)	\$ -	\$ (285,439)	\$ (2,393,537)
Non-Cash Investing, Capital, and Financing Activities:				
Transfer of capital assets, net of accumulated depreciation	\$ -	\$ (2,233,052)	\$ -	\$ (2,233,052)

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

COUNTY OF WASHINGTON, PENNSYLVANIA

STATEMENT OF NET POSITION FIDUCIARY FUNDS

YEAR ENDED DECEMBER 31, 2016

	Employees' Retirement Plan	OPEB Trust Fund	Agency Funds
Assets			
Cash and cash equivalents	\$ 4,636,039	\$ 20,882	\$ 7,803,761
Investments (at fair value):			
U.S. government and related obligations	16,335,022	-	-
Common stock	20,515,111	-	-
Mutual funds - equity	40,860,788	8,256,512	-
Corporate debt	14,361,346	-	-
Fixed income	-	2,469,046	-
Exchange-traded funds	22,926,785	-	-
Mortgage and other asset-backed securities	3,799,221	-	-
Property trust fund	7,549,726	-	-
Collective trust fund	11,092,851	-	-
Private equity fund	8,713,310	-	-
Receivables:			
Interest	262,841	-	-
Total Assets	151,053,040	10,746,440	7,803,761
Liabilities			
Accounts payable	95,935	-	-
Due to other governments	-	-	2,176,310
Escrow liability	-	-	5,627,451
Total Liabilities	95,935	-	\$ 7,803,761
Net Position			
Net Position Restricted for:			
Pension benefits	150,957,105	-	
OPEB	-	10,746,440	
Total Net Position	\$ 150,957,105	\$ 10,746,440	

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

COUNTY OF WASHINGTON, PENNSYLVANIA

STATEMENT OF CHANGES IN NET POSITION FIDUCIARY FUNDS

YEAR ENDED DECEMBER 31, 2016

	Employees' Retirement Plan	OPEB Trust Fund
Additions:		
<hr/>		
Contributions:		
Employer	\$ 4,610,598	\$ -
Employee	3,701,893	-
	<hr/>	<hr/>
Total contributions	8,312,491	-
	<hr/>	<hr/>
Investment earnings (loss):		
Net decrease in fair value of investments	7,273,300	546,743
Interest and dividends	3,270,663	202,222
	<hr/>	<hr/>
Total investment earnings (loss)	10,543,963	748,965
Investment expense	(448,104)	-
	<hr/>	<hr/>
Net investment earnings (loss)	10,095,859	748,965
	<hr/>	<hr/>
Total additions	18,408,350	748,965
	<hr/>	<hr/>
Deductions:		
<hr/>		
Benefits	7,652,826	-
Refunds of contributions	1,643,388	-
Administrative expense	101,475	-
	<hr/>	<hr/>
Total deductions	9,397,689	-
	<hr/>	<hr/>
Change in Net Position	9,010,661	748,965
	<hr/>	<hr/>
Net Position:		
<hr/>		
Beginning of year	141,946,444	9,997,475
	<hr/>	<hr/>
End of year	\$ 150,957,105	\$ 10,746,440
	<hr/>	<hr/>

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

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Washington (County), a fourth class County, originally founded in 1781, is located in western Pennsylvania, to the south of the City of Pittsburgh. The County, operating under an elected three-member Board of Commissioners (Commissioners), provides services in many areas to its residents, including various general government, public safety, and health and welfare services.

The financial statements of the County have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The more significant of these accounting policies are as follows:

A. Reporting Entity

The reporting entity for the County includes the accounts of all County operations, including administrative and judicial government, corrections, and health and welfare.

Management has evaluated all potential component units, and has determined the County has no component units that are required to be included. Consistent with applicable guidance, the criteria used by the County to evaluate the possible inclusion of related entities within its reporting entity are financial accountability and the nature and significance of the relationship. In determining financial accountability in a given situation, the County reviews the applicability of the following criteria:

1. Organizations that make up the legal County entity.
2. Legally separate organizations if the Commissioners appoint a voting majority of the organization's governing body and the County is able to impose its will on the organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the County.
 - a. Impose its Will - If the County can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization.
 - b. Financial Benefit or Burden - Exists if the County (1) is entitled to the organization's resources, (2) is legally obligated or has otherwise assumed

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

the obligation to finance the deficits of, or provide support to, the organization, or (3) is obligated in some manner for the debt of the organization.

3. Organizations that are fiscally dependent on the County. Fiscal dependency is established if the organization is unable to adopt its budget, levy taxes or set rates or charges, or issue bonded debt without approval by the County.
4. In management's judgment, exclusion of the component unit would render the financial statements misleading.

Related Organizations:

Following are organizations that have much of their governing board appointed by the County Commissioners, without the County being financially accountable for the organization:

Washington County Authority

The Authority was created, pursuant to the Municipality Authorities Act of 1945, primarily as a financing vehicle for County projects. The Authority's officers are appointed by the Commissioners. Debt issued by the Authority on behalf of the County is subject to guarantee by the County. Payments equal to related debt service are made by the County under the terms of a lease agreement. Separately issued audited financial statements of the Authority are available through the Authority's administrative offices. The County does not feel the exclusion of the Authority as a component unit would render the financial statements misleading and therefore, has chosen not to include as a component unit.

Washington County Tourist Promotion Agency

The Washington County Tourist Promotion Agency (Agency) was designed to stimulate and increase the volume of tourism within the County. The Agency's Board is appointed by the Commissioners. The Agency operates autonomously from the County and is responsible for the designation of management. Debt issued by the Agency on behalf of the County is subject to guarantee by the County. Separately issued financial statements are available through the Agency's administrative offices.

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

Washington County Housing Authority

The Washington County Housing Authority (Housing County) administers HUD's Section 8 housing program for the County and is funded through federal grants. The Housing Authority's Board is appointed by the County Commissioners and operates independently of any ongoing involvement of the County. The County must approve the concept of any major capital expansion project, but is not financially accountable for the Housing Authority.

Washington County Industrial Development Authority

The Washington County Industrial Development Authority (IDA) issues low interest, tax-exempt bonds and uses the proceeds to finance projects intended to stimulate economic growth in the County. The IDA's Board is appointed by the County Commissioners and the IDA operates independently of any ongoing involvement of the County. The County must approve the concept of any major bond issue of the IDA. The County has no legal responsibility for IDA debt.

Washington County Redevelopment Authority

The Washington County Redevelopment Authority (RDA) administers state and federal grant programs intended to stimulate urban revitalization and growth in the County. The RDA's Board is appointed by the County Commissioners and the RDA operates independently of any ongoing involvement of the County except that the County is a contractual recipient of federal financial assistance under agreements with the U.S. Department of Housing and Urban Development (HUD). The County has authorized HUD to transmit funds under these programs directly to the RDA. HUD recognizes RDA as the representative agency with program oversight responsibility. During 2011, the RDA took over operations for the Washington County Airport. These transactions do not meet the criteria for inclusion in the County's financial statements.

Washington County Hospital Authority

The Washington County Hospital Authority (Hospital Authority) issues low interest, tax-exempt bonds to enable capital financing for hospitals and nursing homes. The five members of the Hospital Authority's Board are appointed by the County Commissioners. The Hospital Authority operates independently of any ongoing involvement of the County. The County must approve the concept of any major project of the Hospital Authority, but are not financially accountable for the Hospital Authority. The County has no legal responsibility for Hospital Authority debt.

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

Washington County Conservation District

The Washington County Conservation District (Conservation District), whose Board is appointed by the County Commissioners, provides services and programs intended to address the conservation of the County's natural resources. The Conservation District operates independently of any ongoing involvement of the County.

Washington County Drug and Alcohol Program - Single County

The Washington County Drug and Alcohol Program - Single County (D&A Program) was established to provide treatment services through federal and state funded programs to eligible residents of the County. The D&A Program Board of Directors is comprised of eleven members. The County does not exercise significant control over the D&A Program, and the D&A Program is independent of the County regarding fiscal accountability, scope of public service, and financial assistance program relationships.

Washington/Greene County Job Training Agency

The Washington/Greene County Job Training Agency (Training Agency) was established as a separate non-profit entity as of September 1, 1995 to provide job-training services through federal and state funded programs to eligible residents of Washington and Greene Counties. The Training Agency's Board of Directors is comprised of seventeen members, all of whom are subject to final approval prior to appointment, by the Commissioners of the participating counties. No one County exercises significant control over the Training Agency and the Training Agency is independent of the counties regarding fiscal accountability, scope of public service, and financial assistance program relationships. The Training Agency remains independent of the County.

Washington County Fair Board

The Washington County Fair Board (Fair Board) is an eleven-member Board elected from the general membership of the Washington County Agriculture Fair, Inc. The Fair Board manages the annual agriculture fair as well as the maintenance and upkeep of the grounds and facilities under a lease agreement with the County.

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

Southwest Behavioral Health Management, Inc.

Southwest Behavioral Health Management, Inc. (SBHM) is a private, non-profit corporation incorporated for the purpose of monitoring the behavioral health services of the Health Choices program. SBHM operates primarily under funding administered through six counties, one of which is the County, which jointly formed the corporation.

Washington County Transportation Authority

The Washington County Transportation Authority (Transportation Authority) was created in November 2001, pursuant to the Municipality Authorities Act of 1945, to oversee County transportation operations. The Authority assumed responsibility for services previously provided by the Human Services Authority and the County. The Transportation Authority's Board is appointed by the Commissioners and one commissioner serves as an advisory member of the Board. Effective July 1, 2015, the Transportation Authority consolidated the Washington City Transit System. The Transportation Authority's Board of Directors now includes two additional members from Washington City Transit System Board. The Transportation Authority's Board operates autonomously from the County and is responsible for the designation of management.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund 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 services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset 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 as general revenues. Expenses reported for functional activities include allocated indirect expenses.

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

Separate financial statements are provided for governmental funds, proprietary 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.

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Property taxes are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Grants and similar items are recognized as soon as all eligibility requirements imposed by the grantor have been met. All other revenue items are considered to be measurable and available only when cash is received by the County.

Unearned revenues arise when resources are received by the County before it has legal claim to them, such as when intergovernmental funds are received prior to the occurrence of qualifying expenditures. During subsequent periods, when the County has a legal claim to the resources, the unearned revenue is removed as a liability and the revenue is recognized.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments are recorded only when payment is due.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Washington County

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

Health Center Enterprise Fund are patient charges, the principal operating revenues of Health Choices is patient and client services. Operating expenses for the Enterprise Funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

The Washington County Health Center patient revenue is reported at the estimated net realizable amounts from the residents and third-party payers. Revenue under third-party payer agreements is subject to audit and retroactive adjustment. Provisions for estimated third-party payer settlements are provided in the period the related services are rendered. Differences between the estimated amounts accrued and ultimate final settlements are reported as adjustments become known.

The accounts of the County are organized on the basis of funds. A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of a specific governmental activity.

The County reports the following major governmental funds:

The *General Fund* is the principal operating fund of the County, which is used to account for all financial transactions except those required to be accounted for in other funds.

The *Human Services Special Revenue Fund* accounts for the provision of various social services to eligible County residents. These services are funded by various federal and state grants.

The *Capital Expenditures Fund* accounts for capital projects funded by the County's General Fund, Act 13 impact fee funds, and bond proceeds.

The County reports the following major proprietary funds:

The *Washington County Health Center* operations, which are conducted on a fee-for-service basis in a manner similar to commercial enterprises, are accounted for as an Enterprise Fund. The County's intent is that the costs (expenses, including depreciation) of services to the general public be recovered primarily through user charges or cost reimbursement plans.

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

The *Health Choices Fund* accounts for expenditures and reimbursement of Commonwealth of Pennsylvania Medical Assistance revenue related to the provision of a mandatory Behavioral Managed Care Program.

The County also reports the following other governmental funds:

Special Revenue Funds

The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. Special Revenue Funds utilized to account for those financial activities include:

- The *Airport Operating Fund* accounts for the County contribution of \$100,000 per year to the RDA to assist in operating of the airport. The County entered into a cooperation agreement with the RDA in 2011 to manage the day to day financial and operational affairs of the Washington County Airport.
- The *Behavioral Health and Developmental Services Special Revenue Fund* accounts for expenditures and reimbursement of revenue related to providing treatment services to individuals who suffer from mental disabilities.
- The *Liquid Fuels Fund* accounts for state aid revenues used for building and improving roads and bridges.
- The *Emergency Communication 911 Fund*, accounts for the operations of the County's emergency communication system, which is funded by the Pennsylvania Emergency Management Agency (PEMA) and County contributions. During 2016, this fund was repurposed as a special revenue fund from an enterprise fund due to a change in funding streams.
- The *Hazardous Materials Emergency Response Fund* accounts for funds earmarked for the handling of emergency situations involving hazardous materials.
- The *Domestic Relations Fund* accounts for expenditures and reimbursement of revenue related to the operation of the County's child support enforcement program, which is funded by federal and County funds.

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

Capital Projects Funds

The Airport Capital Projects Fund accounts for construction and renovation projects to the County Airport.

Debt Service Fund

The *Debt Service Fund* accounts for the servicing of general long-term debt not being financed by proprietary funds.

Additionally, the County reports the following fund types:

Fiduciary and Agency Funds

The *Employees' Retirement Plan* is used to account for the pension plan for County employees. The plan is accounted for in essentially the same manner as a proprietary fund, since capital maintenance is critical.

The *OPEB Trust Fund* is used to account for the funding of the County's other post-employment benefit obligations. The fund is an OPEB trust fund and is accounted for in essentially the same manner as a proprietary fund, since capital maintenance is critical.

Agency Funds are custodial in nature and do not involve measurement of results of operations. Agency Funds are used to account for cash collected by elected row officers (Recorder of Deeds, Register of Wills, Prothonotary, Clerk of Courts, and Sheriff) and other County offices that are subsequently disbursed to the County General Fund, other governments, or individuals for whom it was collected.

D. Deposits and Investments

For the purposes of the statement of cash flows, the County's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are stated at fair value. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

E. Fair Value Measurements

The County categorizes its fair value measurements within the fair value hierarchy established by GAAP. 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.

F. Interfund Transactions

Advances between funds are accounted for in the appropriate interfund receivable and payable accounts.

G. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

H. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market 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 assets lives are not capitalized. These costs are charged to operations when incurred.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Land improvements	5 - 50 years
Buildings and improvements	10 - 40 years
Infrastructure (bridges)	60 years
Infrastructure (other)	50 years
Furniture and equipment	5 - 20 years

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

Inventories, principally supplies, are accounted for as expenditures when purchased. The amount of inventory at December 31, 2016 is not significant.

I. Deferred Inflows/Outflows of Resources

In addition to assets, the statement of net position and/or the balance sheet 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 and/or fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has two items that qualify for reporting in this category:

In conjunction with pension accounting requirements, the effect of the change in assumptions and the difference between projected and actual earnings on pension plan investments are recorded as deferred outflows of resources related to pensions on the government-wide financial statements. These amounts are determined based on actuarial valuations performed for the plans. Note 5 presents additional information about the pension plan.

In accordance with applicable guidance, the excess of the reacquisition price over the net carrying amount of refunded debt is recorded as a deferred outflow of resources on the statements of net position and amortized as a component of interest expense over the shorter of the term of the refunding issue or refunded bonds.

In addition to liabilities, the statement of net position and/or 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 and/or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has two items that qualify for reporting in this category:

In conjunction with pension accounting requirements, the effect of the change in assumptions and the difference between projected and actual earnings on pension plan investments are recorded as deferred outflows of resources related to pensions on the government-wide financial statements. These amounts are determined based on actuarial valuations performed for the plans. Note 5 presents additional information about the pension plan.

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

Unavailable revenue is reported only on the balance sheet and represents property taxes and loan repayments which will not be collected within the available period. This amount will be recognized as an inflow of resources in the period the amounts become available.

J. Long-Term Liabilities

In the government-wide statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts and bond issuance costs during the current period. The face amount of debt proceeds issued is reported as other financing sources. Premiums and discounts received on debt issuances are reported as other financing sources. Bond issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

K. Compensated Absences

Accumulated unpaid vacation pay is generally earned in the year prior to use. The amount of accumulated vacation expected to be paid within twelve months is recorded as a fund liability. The County converts unpaid accumulated sick leave to a termination benefit provided certain restrictive criteria are met. The ultimate amounts to be paid have not been determined; however, such payments have been, and are expected to continue to be, immaterial. Accordingly, no liability for accumulated sick leave has been recorded.

L. Fund Equity

In the fund financial statements, governmental funds report fund balance in categories based on the level of restriction placed upon the funds. The levels are as follows:

- Nonspendable – This category represents funds that are not in spendable form and includes such items as prepaid expenditures, and inventory.
- Restricted – This category represents funds that are limited in use due to constraints on purpose and circumstances of spending that are legally

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

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enforceable by outside parties. This category includes funds that are restricted for debt service, liquid fuels expenditures, and emergency communication 911.

- Committed – This category represents funds that are limited in use due to constraints on purpose and circumstances of spending imposed by elected Commissioners. Such a commitment is made via formal action of the County Board of Commissioners and must be made prior to the end of the fiscal year. Removal of this commitment also requires the same formal action that imposed the constraint. Committed funds include funds for capital projects, hazardous materials, airport operations, and domestic relations.
- Assigned – This category represents intentions of the County to use the funds for specific purposes. The County Board of Commissioners has delegated the authority to make assignments to the County’s Finance Director. This category includes encumbrances.
- Unassigned – This category represents all other funds not otherwise defined.

The County’s policy is to use funds in the order of the most restricted to the least restricted.

M. Net Position

The government-wide and proprietary fund financial statements are required to report three components of net position:

- Net investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount is not included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflow of resources is included in the same net position component (restricted or unrestricted) as the unspent amount.
-

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

- Restricted - This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.
- Unrestricted - The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

N. Budgets and Budgetary Accounting

Formal budgetary accounting is employed as a management control for all governmental funds of the County. The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. During August and September, the department/agency management uses current financial status reports to develop financial projections for their programs for the ensuing year, which are then reviewed with the budget staff.
2. The Commissioners then review the submitted budgets with management.
3. Upon consolidation of the department and agency expenditure projections, the Commissioners ascertain the most viable financing method.
4. Subsequently, the finance department assembles the preliminary projections of revenues and expenditures into a final budget incorporating any revisions or adjustments resulting from the aforementioned Commissioners' review.
5. By early December, the final budget is presented to the Commissioners. Pursuant to budgetary requirements as set forth in the County Code, public notice is given that the final budget is available for inspection for a period of 20 days.
6. After the 20-day inspection period, but no later than December 31, the Commissioners adopt the final budget by enacting an appropriate resolution.

The Commissioners may at any time, by resolution, make supplemental appropriations for any lawful purpose from any funds on hand or estimated to be received within the fiscal year and not otherwise appropriated, including the proceeds of any borrowing now or hereafter authorized by law. The Commissioners may

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

authorize the transfer of any unencumbered balance of any appropriation item or any portion thereof. The legal level of required Commissioner approval for budget amendments is the individual fund level. The Commissioners made several supplementary budgetary appropriations throughout the year. These budget changes are reflected in the applicable budget to actual statements in the final budget amounts.

The Behavioral Health and Developmental Services Fund incurred actual expenditures that exceeded budgeted appropriations. The excess appropriations were funded by surplus revenue or transfers in from other funds.

O. Encumbrance Accounting

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as assigned fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

P. Health Choices Reinvestment Reserves

In accordance with Department of Human Services (DHS) regulations, capitation revenues in excess of distributions and expenses may be used for reinvestment planning or risk and contingency. These funds must be segregated from other capitation funds and each kept in a separate account. The balance in the reinvestment account at December 31, 2016 is \$38.

The County, along with Armstrong, Butler, Indiana, Lawrence, and Westmoreland Counties (SW-6 Counties), are the contractors with the Pennsylvania Department of Human Services (DHS) for providing services under the Health Choices Program. Health Choices is Pennsylvania's managed care program for adults and children on Medical Assistance. Value Behavioral Health of Pennsylvania (VBH-PA) was selected as the Behavioral Health Managed Care Organization (BHMCO) for the SW-6 Counties. In addition, the SW-6 Counties formed a private non-profit, Southwest Behavioral Health Management, Inc. (Corporation) for the purpose of monitoring the behavioral health services of the Health Choices Program.

As of January 1, 2016, the SW-6 Counties authorized SBHM to enter into a single contract with DHS to manage the Health Choices program. This change transfers the risk from the SW-6 Counties to SBHM. The SW-6 Counties are reimbursed for some administrative functions that they perform but will not receive any other Health Choices funds, including reinvestment funds. As such, the Health Choices Funds

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

receivable in the amount of \$3,052,896 was transferred to SBHM effective January 1, 2016.

Q. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ than those estimates.

R. Adoption of Accounting Pronouncements

The requirements of the following GASB Statements were adopted for the County's 2016 financial statements. Except where noted, the adoption of these pronouncements did not have a significant impact to the County's financial statements.

GASB Statement No. 72, "*Fair Value Measurement and Application.*" This Statement addresses accounting and financial reporting issues related to fair value measurements. This pronouncement required additional disclosures related to investments, which have been incorporated into Note 2.

GASB Statement No. 76, "*Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.*" This Statement identifies the hierarchy of generally accepted accounting principles (GAAP), reduces this hierarchy to two categories of authoritative GAAP, and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55.

GASB Statement No. 77, "*Tax Abatement Disclosures.*" This Statement requires state and local governments for the first time to disclose information about tax abatement agreements, and is designed to provide financial statement users with essential information about these agreements and the impact that they have on a government's finances.

GASB Statement No. 78, "*Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans.*" This Statement addresses a practice issue regarding the scope and applicability of Statement No. 68, "*Accounting and Financial Reporting for Pensions.*" The issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local government employers whose employees are provided with such pensions.

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

GASB Statement No. 79, “*Certain External Investment Pools and Pool Participants.*” This Statement addresses accounting and reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for the election to measure all of its investments at amortized cost for financial reporting purposes. This pronouncement required additional disclosures related to investments, which have been incorporated into Note 2.

S. Pending Pronouncements

GASB has issued statements that will become effective in future years, including Statement Nos. 73 (Pensions not in Scope of GASB 68), 74 (OPEB Plans), 75 (OPEB Employer), 80 (Component Units), 81 (Split-Interest Agreements), 82 (Pensions), 83 (Asset Retirement Obligations), 84 (Fiduciary Activities), 85 (Omnibus), and 86 (Certain Debt Extinguishment Issues). Management has not yet determined the impact of these statements on the financial statements.

2. DEPOSITS AND INVESTMENTS

Pennsylvania statutes provide for investment of governmental funds into certain authorized investment types including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations, insured or collateralized time deposits, and certificates of deposit. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of governmental funds for investment purposes.

In addition to the investments authorized for governmental funds, fiduciary fund investments may also be made in corporate stocks and bonds, real estate, and other investments consistent with sound business practice.

The deposit and investment policy of the County adheres to state statutes and prudent business practice. Deposits of the governmental funds are either maintained in demand deposits, savings accounts, and/or certificates of deposit. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of the County.

The following is a description of the County’s deposit and investment risk:

Custodial Credit Risk – For a deposit, custodial credit risk is the risk that in the event of a bank failure, the County’s deposits may not be returned to it. The County does not have a formal deposit policy for custodial credit risk. As of

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

December 31, 2016, \$12,369,574 of the County's \$45,679,388 bank balance was insured by the Federal Deposit Insurance Corporation. The remaining bank balance of \$33,309,814 was exposed to custodial credit risk, which is collateralized in accordance with Act 72 of the Pennsylvania state legislature, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name. These deposits have carrying amounts of \$42,280,719 as of December 31, 2016 and are classified as cash and cash equivalents in the statement of net position.

For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside entity. The County does not have a formal investment policy for custodial credit risk.

The County uses an external investment pool to ensure safety and maximize efficiency, liquidity, and yield for County funds. These funds are invested in the Pennsylvania Local Government Investment Trust (PLGIT), INVEST, and BlackRock which separately issues audited financial statements that are available to the public. The fair value of the County's position in the external investment pool is equivalent to the value of the pool shares and is reported at amortized cost, which approximates market. All investments in an external investment pool that are not SEC-registered are subject to oversight by the Commonwealth of Pennsylvania. Commonwealth of Pennsylvania provides external regulatory oversight for the external investment pool. The County can withdraw funds from the PLGIT. However, there are certain limitations placed on these withdrawals, including penalties for early withdrawal (prior to the minimum holding period) and for more than two withdrawals in a calendar month. The County can withdraw funds from INVEST and BlackRock without limitations or fees. As of December 31, 2016, the bank balances of the investments in PLGIT, INVEST and BlackRock are \$7,238,067, \$203,125 and \$8,276,173 respectively. The carrying value of the investments in PLGIT, INVEST and BlackRock of \$7,238,067, \$203,126 and \$8,276,173, respectively, is considered to be a cash equivalent for presentation on the statement of net position and governmental fund balance sheet.

In addition, included in cash and cash equivalents, the County has money market investments with a carrying amount of \$1,437,689, which are invested in short-term U.S. treasury instruments and government agencies. The bank balance of the investments in money market funds is \$1,453,253, which is not exposed to custodial credit risk.

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

The County's investments in money markets are reported at amortized cost, which approximates market.

Credit Risk - The risk that an issuer or other counterparty to an investment will not fulfill its obligations is called credit risk. The County has no formal investment policy that would limit its investment choices based on credit ratings by nationally recognized statistical rating organizations. As of December 31, 2016, the County's investments in PLGIT, INVEST and BlackRock have received an AAAM rating from Standard & Poor's.

Interest Rate Risk - The County has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. All investments in PLGIT, INVEST, and money market accounts have an average maturity of less than one year.

Agency Funds

The County maintains bank accounts for the elected row officers and other County offices. The balance of these accounts is reflected in the statement of fiduciary net position. Receipts and disbursements for these programs were \$68,690,471 and \$67,047,283, respectively, for the year December 31, 2016. The carrying amount of deposits for the row offices and other County offices was \$7,803,761 and the bank balance was \$7,898,170. Of the bank balance, \$251,261 was covered by federal depository insurance. The remaining balance of \$7,646,909 was collateralized in accordance with Act 72 of the Pennsylvania state legislature, which requires the institution to pool collateral for all governmental deposits and has the collateral held by an approved custodian in the institution's name.

Employees' Pension Plan

The Employees' Pension Plan (Plan) investments are held separately from those of other County Funds. Investments were consistent with those authorized.

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

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As of December 31, 2016, the County had the following cash equivalents and investments in its Plan:

Cash or Investment Type	Fair Value	Investment Maturities from December 31, 2016				
		Less than 1 year	1-5 Years	6-10 Years	11-15 Years	16 or more Years
U.S. government and related obligations	\$ 16,335,022	\$ 4,852,915	\$ 6,342,269	\$ 4,014,670	\$ 87,871	\$ 1,037,297
Corporate debt	14,361,346	876,834	6,195,799	7,030,305	258,408	-
Mortgage and other asset-backed securities	3,799,221	-	2,810,357	176,636	63,711	748,517
Total debt securities	34,495,589	\$ 5,729,749	\$ 15,348,425	\$ 11,221,611	\$ 409,990	\$ 1,785,814
Cash and cash equivalents	4,636,039					
Common stock	20,515,111					
Mutual funds - equity	40,860,788					
Exchange traded funds	22,926,785					
Property trusts	7,549,726					
Collective trusts	11,092,851					
Private equity fund	8,713,310					
Total cash and investments reported on statement of plan net position	\$ 150,790,199					

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

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The Plan had the following recurring fair value measurements at December 31, 2016:

Investments by Fair Value Level	Total	Fair Value Measurements		
		Level 1	Level 2	Level 3
Debt securities:				
U.S. government securities	\$ 16,335,022	\$ 4,852,915	\$ 11,482,107	\$ -
Corporate debt obligations	14,361,346	876,834	13,484,512	-
Mortgage and other asset-backed securities	3,799,221	-	3,799,221	-
Total debt securities	34,495,589	5,729,749	28,765,840	-
Mutual funds - equity	40,860,788	40,860,788	-	-
Exchange-traded funds	22,926,785	22,926,785	-	-
Common stock:				
Consumer discretionary	2,922,241	2,922,241	-	-
Consumer staples	1,752,330	1,752,330	-	-
Energy	869,878	869,878	-	-
Financial	3,095,933	3,095,933	-	-
Health care	2,724,879	2,724,879	-	-
Industrials	2,799,909	2,799,909	-	-
Information technology	4,060,900	4,060,900	-	-
Materials	695,799	695,799	-	-
Real estate	163,385	163,385	-	-
Utilities	587,709	587,709	-	-
Telecommunication services	679,616	679,616	-	-
Unclassified	162,532	162,532	-	-
Total common stock	20,515,111	20,515,111	-	-
Total Investments by Fair Value Level	118,798,273	90,032,433	28,765,840	-
Investments measured at NAV:				
Property trusts	7,549,726			
Collective trust funds	11,092,851			
Private equity fund	8,713,310			
Total Investments measured at NAV	27,355,887			
Total investments measured at fair value	\$ 146,154,160			

Debt securities, mutual funds, exchange traded funds, and common stock classified in Level 1 are valued using quoted prices in active markets for those securities. Debt securities classified in Level 2 are valued using various techniques, which may consider the reported sales of similar securities, market price quotations, and data (such as broker quotes, yields, bids, and reference data). The Plan's investment in money markets (cash and cash equivalents) of \$4,636,039 is reported at amortized cost, which approximates market.

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

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Investments Measured Using the Net Asset Value per Share Practical Expedient

The County reports alternative investment funds using the net asset value per share as determined by investment managers under the so-called “practical expedient.” The net asset values of the common/collective trust funds are determined by the funds and provided by the portfolio manager. Valuations are generally based on the compilation of prices from each fund’s underlying company or fund administrator. Upon completion of the fund valuations, the County’s individual investor valuations are based upon their ownership share of each pool.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of the future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

<u>December 31, 2016</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If Currently Eligible)</u>	<u>Redemption Notice Period</u>
Property trust fund	\$ 7,549,726	n/a	Daily	30 days
Collective trust fund	11,092,851	n/a	Daily	30 days
Private equity fund	8,713,310	n/a	Daily	30 days

The following is a description of the Plan deposit and investment risks:

Credit Risk - The risk that an issuer or other counterparty to an investment will not fulfill its obligations is called credit risk. The Plan’s formal investment policy states the average quality of fixed income securities purchased by any deposit administrator shall equal or exceed A2, the third broad investment grade as determined by Moody’s. As of December 31, 2016, the Plan investments in fixed income bonds have received the following ratings from Moody’s:

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

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Credit Quality Distribution for Securities with Credit Exposure as a Percentage of Total Pension Trust Fund Debt Securities

<u>Moody's Rating</u>	<u>Market Value</u>	<u>Percentage of Total Pension Trust Fund Debt Securities</u>
Aaa	\$ 16,435,979	47.6%
Aa1	241,263	0.7%
Aa2	1,367,878	4.0%
Aa3	1,097,364	3.2%
Unrated	15,353,105	44.5%
	<u>\$ 34,495,589</u>	<u>100%</u>

Custodial Credit Risk - Custodial credit risk is the risk that in the event of the failure of the bank or counterparty, the Plan will not be able to recover the value of their deposits or investments or collateral securities that are in the possession of an outside entity. The Plan does not have a formal deposit or investment policy for custodial credit risk. As of December 31, 2016, the Plan investment balance, excluding mutual funds of \$40,860,788 (bank and book balance), was exposed to custodial credit risk. Plan investments in mutual funds are not exposed to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.

Concentration of Credit Risk - The County places no limit on the amount the Plan may invest in any one issuer. At December 31, 2016, the Plan had investments in Dodge and Cox International, MFS Global Total Return Fund, and American New Perspective that were approximately 8%, 10%, and 15%, respectively.

Interest Rate Risk - The Plan does not have a formal deposit or investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Other Post-Employment Benefits (OPEB)

The OPEB investments are held separately from those of other County Funds. Investments were consistent with those authorized.

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As of December 31, 2016, the County had the following cash, cash equivalents, and investments in its OPEB Funds:

Cash or Investment Type	Fair Value
Cash and cash equivalents	\$ 20,882
Mutual funds - fixed income	2,469,046
Mutual funds - equity	8,256,512
Total cash and investments reported on statement of net position - fiduciary funds	\$ 10,746,440

The OPEB Funds categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The OPEB Funds had the following recurring fair value measurements at December 31, 2016:

Investments by Fair Value Level	Total	Fair Value Measurements		
		Level 1	Level 2	Level 3
Mutual funds - fixed income	\$ 2,469,046	\$ 2,469,046	\$ -	\$ -
Mutual funds - equity	8,256,512	8,256,512	-	-
Total Investments by Fair Value Level	\$ 10,725,558	\$ 10,725,558	\$ -	\$ -

The following is a description of the OPEB Funds' deposit and investment risks:

Credit Risk - The risk that an issuer or other counterparty to an investment will not fulfill its obligations is called credit risk. The OPEB Funds have no formal investment policy that would limit its investment choices based on credit ratings by nationally recognized statistical rating organizations (NRSRO). The OPEB Funds' investments in mutual funds do not have credit ratings from NRSROs.

Concentration of Credit Risk - The County places no limit on the amount the County may invest in any one issuer. As of December 31, 2016, the OPEB funds had no investment in a single issuer of more than 5%.

Interest Rate Risk - The OPEB Funds do not have a formal deposit or investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

3. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The General Fund is reimbursed by other funds for expenses paid on behalf of the other funds by the General Fund. The due from/to balances at year-end represent payments not yet made. All balances are expected to be paid within one year.

Transfers out of the General Fund represent local share of costs paid to other funds and funding of health center deficit. Transfer out of Emergency Communication 911 – Proprietary relates to converting the fund to a Special Revenue fund.

Individual funds receivable and payable balances at year-end and transfers at December 31, 2016 were as follows:

Fund	Interfund Receivables	Interfund Payables
Major Funds:		
General	\$ 1,450,833	\$ 23,629
Human Services	-	215
Capital Expenditures	5	497
Washington County Health Center	-	872,273
Other governmental funds	38,619	592,843
	\$ 1,489,457	\$ 1,489,457
Fund	Transfer In	Transfer Out
Major Funds:		
General	\$ 2,279,066	\$ 7,785,238
Capital Expenditures	2,670,930	2,397,750
Washington County Health Center	3,223,995	-
Emergency Communication 911 - Proprietary	-	1,127,295
Other governmental funds	3,144,428	-
Fiduciary Funds	-	8,136
	\$ 11,318,419	\$ 11,318,419

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016 was as follows:

	Balance at January 1, 2016	Increases	Decreases	Transfers	Balance at December 31, 2016
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 480,000	\$ -	\$ -	\$ -	\$ 480,000
Construction in progress	4,656,728	2,117,555	(1,984,031)	-	4,790,252
Total capital assets, not being depreciated	5,136,728	2,117,555	(1,984,031)	-	5,270,252
Capital assets, being depreciated:					
Land improvements	19,868,924	3,904,508	-	-	23,773,432
Buildings and improvements	47,137,832	3,788,783	(382,039)	489,688	51,034,264
Infrastructure	34,055,134	938,854	-	-	34,993,988
Furniture and equipment	18,477,612	1,402,131	(307,378)	11,924,161	31,496,526
Total capital assets, being depreciated	119,539,502	10,034,276	(689,417)	12,413,849	141,298,210
Less accumulated depreciation for:					
Land improvements	(7,702,050)	(974,038)	-	-	(8,676,088)
Buildings and improvements	(25,662,816)	(1,351,178)	106,152	(305,208)	(27,213,050)
Infrastructure	(8,022,225)	(643,649)	-	-	(8,665,874)
Furniture and equipment	(11,489,466)	(1,884,635)	298,076	(9,875,589)	(22,951,614)
Total accumulated depreciation	(52,876,557)	(4,853,500)	404,228	(10,180,797)	(67,506,626)
Capital assets being depreciated, net	66,662,945	5,180,776	(285,189)	2,233,052	73,791,584
Governmental activities capital assets, net	\$ 71,799,673	\$ 7,298,331	\$ (2,269,220)	\$ 2,233,052	\$ 79,061,836

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

During the year, \$2,233,052 was transferred from business type activities to governmental activities.

	Balance at January 1, 2016	Increases	Decreases	Transfers	Balance at December 31, 2016
Business-Type Activities:					
Capital assets, not being depreciated:					
Construction in progress	\$ 41,738	\$ -	\$ (41,738)	\$ -	\$ -
Total capital assets, not being depreciated	41,738	-	(41,738)	-	-
Capital assets, being depreciated:					
Buildings and improvements	16,169,806	278,951	-	(489,688)	15,959,069
Furniture and equipment	16,748,527	105,519	(37,480)	(11,924,161)	4,892,405
Total capital assets, being depreciated	32,918,333	384,470	(37,480)	(12,413,849)	20,851,474
Less accumulated depreciation for:					
Buildings and improvements	(9,530,880)	(418,903)	-	305,208	(9,644,575)
Furniture and equipment	(14,284,868)	(306,554)	27,576	9,875,589	(4,688,257)
Total accumulated depreciation	(23,815,748)	(725,457)	27,576	10,180,797	(14,332,832)
Capital assets being depreciated, net	9,102,585	(340,987)	(9,904)	(2,233,052)	6,518,642
Business-type activities capital assets, net	\$ 9,144,323	\$ (340,987)	\$ (51,642)	\$ (2,233,052)	\$ 6,518,642

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

<u>Governmental Activities:</u>	
General government - administration	\$ 1,773,839
General government - judicial	523,716
Public safety	1,358,378
Public works and enterprises	866,689
Human services	177,020
Culture and recreation	153,858
Total depreciation expense - governmental activities	\$ 4,853,500
 <u>Business-type Activities:</u>	
Washington County Health Center	\$ 725,457

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

5. WASHINGTON COUNTY EMPLOYEES' RETIREMENT PLAN

Plan Description

The Washington County Retirement Plan (Plan) is a single employer defined benefit pension plan governed by the County Pension Law Act 96 of 1971 (Act), as amended, enacted by the General Assembly of the Commonwealth of Pennsylvania. The Plan is administered by the Washington County Employees' Retirement Board (Retirement Board). In accordance with the Act, the Retirement Board consists of five members, including the three elected County Commissioners, the County Controller, and the County Treasurer. All County employees become eligible to become Plan participants immediately upon becoming an employee. Membership in the Plan is optional for elected officials. The Plan requires each member to contribute a percentage of their salary to the Plan. The Plan provides retirement, disability, and death benefits to plan members and their beneficiaries. Cost-of-living adjustments (COLA) are provided at the discretion of the Washington County Employees' Retirement Board. Separate stand-alone financial statements are issued for the Plan and may be obtained from the County Controller's Office.

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

Inactive plan members or beneficiaries currently receiving benefits	730
Inactive plan members entitled to but not yet receiving benefits	75
Active plan members	<u>1,046</u>
Total plan members	<u><u>1,851</u></u>

Summary of Significant Accounting Policies

Financial information of the Plan is presented on the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due as required by the Act. Benefits and refunds are recognized when due and payable in accordance with the terms of the individual plan. The net pension liability is recorded as a governmental activity expected to be paid from the General Fund and special revenue funds.

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

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Benefits Provided

Participants in the Plan are 100% vested after five years of service. The Plan provides the following benefits:

Normal Retirement Benefit - A participant is entitled to begin receiving retirement benefits at age 60 or after completing 20 years of service and attaining age 55. The scheduled monthly retirement benefit is 1/12 of the participant's final average salary (average of three highest years) multiplied by years of credited service on the 1/80 Class plus a monthly annuity based on the actuarial equivalent of the member's accumulated contribution with credited interest. A member may elect to receive the actuarial equivalent of his retirement benefit as a full cash refund annuity (Option One) or a reduced joint and survivor pension payable for the remainder of his life with either 100% or 50% of the member's pension continuing after death to the designated beneficiary. A member may also elect to receive in one payment, the full amount of his accumulated deductions and continue to receive the annuity provided by the County.

Early Retirement Benefit A participant is eligible for voluntary early retirement upon completion of 20 years of service and involuntary retirement upon completion of eight years of service. The scheduled monthly retirement benefit is calculated the same as the normal retirement above.

Disability Benefit - If a participant becomes totally and permanently disabled prior to normal retirement age and after completion of five years of credited service, the participant is entitled to receive a monthly disability benefit. The scheduled benefit is a total monthly pension commencing on the last day of the month following disability retirement equal to 25% of the 1/12th of Final Average Salary at time of retirement. Such total monthly pension shall include the monthly disability that is actuarially equivalent to the member's accumulated contributions at retirement.

Death Benefit - If a participant's death occurs after having attained age 60 or having completed ten years of credited service, the beneficiary will receive a lump sum equal to the actuarially determined present value of the benefits calculated above 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. If a participant's death occurs after retirement the beneficiary will receive survivor benefits, if any, in accordance with the form under which benefits were being paid to the member. In any event, the total amount of benefits paid to the deceased member and beneficiary must at least equal the member's accumulated contributions with interest.

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

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Cost-of-Living Adjustments – Cost-of-living adjustments shall be reviewed at least once every three years by the Retirement Board.

Contributions and Funding Policy

As a condition of participation, employees are to contribute between 7% and 17% (currently 7%) of their salary as stipulated in the Act.

The County is required to contribute at an actuarially determined rate. Per Act 96 of 1971, as amended, contribution requirements of the participants and the County are established and may be amended by the General Assembly of the Commonwealth of Pennsylvania.

Administrative expenses generally are to be paid from the County's General Fund and not from Plan assets. However, administrative expenses may be paid from the Plan from year to year, unless it is determined from the actuary that such payment will impair the actuarial soundness of the Plan.

During the year, the County made the actuarially determined contribution to the Plan of \$4,610,598.

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

Changes in the Net Pension Liability

The changes in the net pension liability of the County for the year ended December 31, 2016 were as follows:

	<u>Increases / Decreases</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balances at December 31, 2015	\$ 160,063,308	\$ 141,946,444	\$ 18,116,864
Changes for the year:			
Service cost	5,731,291	-	5,731,291
Interest	11,189,569	-	11,189,569
Changes of benefit terms	-	-	-
Differences between expected and actual	1,278,427	-	1,278,427
Changes of assumptions	-	-	-
Contributions - employer	-	4,610,598	(4,610,598)
Contributions - employee	-	3,701,893	(3,701,893)
Net investment income	-	10,109,312	(10,109,312)
Benefit payments, including refunds	(9,296,214)	(9,296,214)	-
Administrative expense	-	(87,797)	87,797
Other changes	(770,297)	(27,131)	(743,166)
Net changes	<u>8,132,776</u>	<u>9,010,661</u>	<u>(877,885)</u>
Balances at December 31, 2016	<u>\$ 168,196,084</u>	<u>\$ 150,957,105</u>	<u>\$ 17,238,979</u>
Plan fiduciary net position as a percentage of the total pension liability			<u>89.75%</u>

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

Actuarial assumptions - The total pension liability was determined by an actuarial valuation performed on January 1, 2016, and rolled forward to December 31, 2016, using the following actuarial assumptions, applied to all periods in the measurement:

Actuarial assumptions:

Investment rate of return	7.00%
Salary increases	3.50%
Inflation	3.00%

Mortality rates were based on the RP-2013 Annuitant and Non-Annuitant Mortality Tables for males and females with no projected improvement.

The actuarial assumptions used in the valuation for the 2016 measurement period were based on past experience under the plan and reasonable future expectations which represent the best estimate of anticipated experience under the plan. An actuarial experience study was performed during 2016; however, no modifications to assumptions were made as a result.

No ad hoc postemployment benefit changes were included in the future liability.

Investment Policy – The Plan’s policies in regard to the allocation of invested assets are established and may be amended by the Retirement Board by a majority vote of its members. It is the policy of the Retirement Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes.

Long-Term Expected Rate of Return – 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 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.

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

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The following was the asset allocation policy and best estimates of arithmetic real rates of return for each major asset class included in the Plan target asset allocation as of December 31, 2016:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	41-51%	5.4-6.4%
International equity	13-23%	5.5-6.5%
Fixed income	26-36%	1.3-3.3%
Real estate	0-7%	4.5-5.5%
Cash	0-5%	0.0-1.0%

Rate of Return – The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts invested. For the year ended December 31, 2016, the annual money-weighted rate of return on the Plan investments, net of investment expense, was 7.70 %.

Concentrations – The Plan had investments in Dodge and Cox International, MFS Global Total Return Fund, American New Perspective, and WTC CTF Mid Cap Value that were approximately 7%, 10%, 9%, and 8%, respectively, of the Plan's fiduciary net position at December 31, 2016.

Discount Rate – The discount rate used to measure the total pension liability for the Plan was 7.00%. 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 the County's contribution will be made at rates equal to the actuarially determined contribution rates. 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 Plan calculated using the discount rate described above, as well as what the Plan's net pension liabilities would be if they were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rates:

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Net Pension Liability (Asset)	\$ 35,410,131	\$ 17,238,979	\$ 1,488,137

Pension Expense and Deferred Outflow of Resources Related to Pensions

For the year ended December 31, 2016, the County recognized pension expense of approximately \$4.8 million. At December 31, 2016, the County reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumption	\$ 4,223,364	\$ -
Net difference between projected and actual earnings on pension plan investments	6,835,985	167,944
Differences between expected and actual experience	1,533,040	-
Total deferred outflows of resources	\$ 12,592,389	\$ 167,944

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

Year ending December 31,	
2017	\$ 3,538,158
2018	3,538,158
2019	3,538,160
2020	1,259,497
2021	550,472
Total	\$ 12,424,445

6. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

In addition to the pension benefits described in Note 5, the County provides post-retirement health care benefits to certain retired employees, in accordance with the various union contracts and other employment agreements. The benefit limits, funding policy, and employee and employer contributions are established and

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

amended through union contracts or the County's Board of Commissioners. The post-employment benefit plan (plan) is accounted for as a trust fund and an irrevocable trust has been established; however, the plan does not issue a separate report.

Plan Description. The County's plan is a single-employer defined benefit healthcare plan that covers all employees of the County whose employment commenced before April 1, 2004. The plan provides healthcare coverage to plan members and their dependents.

At January 1, 2016, plan membership consisted of the following:

Retirees and beneficiaries receiving benefits	509
Active plan members	<u>348</u>
Total plan members	<u><u>857</u></u>

Funding Policy. The County's contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2016, total cash disbursements for other post-retirement benefit for current retirees or their dependents totaled \$3,114,279. Active employees' contributions for medical, dental or vision insurances vary per contract and position.

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

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include economic assumptions about the discount rate and the health care cost trend rates, medical assumptions, and demographic assumptions. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

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

The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligations as well as the assumptions used to calculate the net OPEB obligation:

Annual required contribution	\$	4,827,806
Interest on net OPEB obligation		764,354
Adjustment to annual required contribution		<u>(879,882)</u>
Annual OPEB cost		4,712,278
Benefits paid		<u>(3,117,321)</u>
Increase (decrease) in net OPEB obligation		1,594,957
Net OPEB obligation (asset), beginning of year		<u>10,919,339</u>
Net OPEB obligation (asset), end of year	\$	<u>12,514,296</u>

Actuarial valuation date	1/1/2016
Actuarial cost method	Projected Unit Credit
Amortization method	Level dollar, open
Asset valuation method	Market Value
Remaining amortization period	30 years
Actuarial assumptions:	
Projected salary increases	N/A
Investment rate of return	7.0%
Health care inflation rates	5.9% initial, 3.9% ultimate

N/A = not applicable

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

The County is required to have an actuarial valuation report performed biennially.

The schedule of funding progress as of the latest actuarial valuation date, January 1, 2016, for the post-employment healthcare benefits is as follows:

Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Accrued Liability (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b)-(a)]/(c)
\$ 9,997,475	\$ 57,852,164	\$ 47,854,689	17.3%	\$ 49,478,948	96.7%

Three-Year Trend Information

Year Ending	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation (Asset)
December 31, 2016	\$ 4,712,278	66%	\$ 12,514,296
December 31, 2015	4,694,120	106%	10,919,339
December 31, 2014	5,666,442	91%	11,195,864

7. REAL ESTATE TAXES

The County's property tax is levied each January 1 on the assessed values as of the prior November 15 for all real property located in the County. The assessed value at for 2016 was \$1,678,623,902.

The County is limited by the laws of the Commonwealth of Pennsylvania to levy taxes up to \$25.00 per \$1,000 of assessed valuation for General Government Services, and limited to \$10.00 per \$1,000 of valuation for payment of rentals to any municipality and is unlimited for the payment of principal and interest on long-term debt. The tax rate to finance General Government Services other than the payment of principal and interest on long-term debt for the year ended December 31, 2016, was 23.65 mills per \$1,000. The tax rate to finance the payment of principal and interest on long-term debt for the year ended December 31, 2016 was 1.25 mills per \$1,000.

Taxes for 2016 were billed in January 2016 and were due on the following schedule: at two percent discount if paid by March 31, 2016; at face value if paid between April 1, 2016 and June 30, 2016; and at 10 percent penalty if paid between July 1, 2016 and

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

January 15, 2017. The County placed liens on all property for which the 2016 tax was not paid by January 15, 2017.

Taxes receivable are reflected on the statement of net position of \$1,744,573, which is net of an allowance for doubtful accounts of \$581,525.

8. LONG-TERM DEBT

The following is a summary of changes in long-term obligations of the County for the year ended December 31, 2016:

	Balance at December 31, 2015	Additions and Accretion	Refundings	Payments	Balance at December 31, 2016	Due within one year
Governmental Activities:						
Guaranteed Lease Revenue Bonds, Series of 1992	\$ 5,555,775	\$ 253	\$ -	\$ 1,390,000	\$ 4,166,028	\$ 1,390,000
General Obligation Bonds, Series of 2007A	14,850,627	152,122	4,850,000	60,000	10,092,749	100,000
General Obligation Bonds, Series of 2007B	2,860,000	-	2,835,000	25,000	-	-
General Obligation Bonds, Series of 2012B	18,945,000	-	-	260,000	18,685,000	265,000
General Obligation Bonds, Series of 2013	7,435,000	-	-	585,000	6,850,000	605,000
General Obligation Bonds, Series of 2016	-	8,290,000	-	-	8,290,000	5,000
Total Long-Term Debt	<u>\$ 49,646,402</u>	<u>\$ 8,442,375</u>	<u>\$ 7,685,000</u>	<u>\$ 2,320,000</u>	<u>\$ 48,083,777</u>	<u>\$ 2,365,000</u>

General obligation debt payable at December 31, 2016 is composed of the following individual issues:

Guaranteed Lease Revenue Bonds, Series of 1992

The County has guaranteed the Series of 1992 Revenue Bonds (1992 Authority Bonds) of the Washington County Authority (Authority), with an original principal amount of \$17,162,970. These 1992 Authority Bonds were issued primarily to finance capital projects. Portions of the 1992 Authority Bonds were refunded by the Guaranteed Lease Revenue Refunding Bonds, Series A of 1993, which were later retired, and by the General Obligation Bonds, Series 2002A, which were retired in 2012. Another portion of the bonds, \$4,777,357, was advance refunded with the General Obligation Bonds, Series 2007A. In 2012, another portion of the bonds, \$2,843,681, was advance refunded with the General Obligation Bonds, Series 2012B.

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

After consideration of the refundings, the 1992 Authority Bonds consist currently of Capital Appreciation Bonds with an aggregate original issuance amount of \$7,790,000 with maturity values of \$840,000 to \$1,390,000 annually through 2020 issued to yield rates from 6.35% to 6.85%. The Capital Appreciation Bonds accrue and compound interest on a semi-annual basis and are carried at cost plus accrued interest. As of December 31, 2016, the total maturity value of the Capital Appreciation Bonds is \$5,560,000.

Washington County Note Payable

The County borrowed \$6 million from the Authority out of the proceeds of the Authority's Series 1999 Capital Funding Revenue Bonds (Authority Bonds) for the purpose of creating a pool of funds for various local municipalities' infrastructure projects within the County. A portion of the note was repaid with proceeds from the General Obligation Bonds, Series 2007B, and the remaining balance was paid in full during 2008.

During 2007, a sinking fund was established by the County related to loans previously reported in the County loan pool. Monthly principal and interest payments made by the local municipalities are deposited into the County's sinking fund, the balance of which, together with any investment earnings, is used to pay amounts due on the General Obligation Bonds, Series 2007B. The sinking fund balance at December 31, 2016 totaled \$1,437,689 and is reported as cash and cash equivalents on the balance sheet.

General Obligation Bonds, Series of 2007A and B

On May 17, 2007, the County issued \$18,630,219 in General Obligation Bonds and \$1,080,000 in General Obligation Taxable Bonds to advance refund portions of the 1992, 2002A, and 2003 bond issuances, to current refund a portion of the 1998 bond issuance, to fund a capitalized interest deposit, to pay off a portion of the loan pool discussed above, and to fund various capital projects. Interest payments are payable semi-annually on March 1 and September 1 with rates ranging from 4.00% to 5.29% until maturity.

A portion of the Series 2007A Bonds consist of Capital Appreciation Bonds with an aggregate original issuance amount of \$2,215,220 with maturity values of \$3,475,000 and \$3,425,000 which mature in 2031 and 2032, respectively, issued to yield rates of 4.65% and 4.66%, respectively. The Capital Appreciation Bonds accrue and compound interest on a semi-annual basis and are carried at cost plus accrued interest.

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

During 2016, \$4,850,000 of General Obligation Bonds, Series A of 2007 and the outstanding balance of Series B of 2007 was advanced refunded with the General Obligation Bonds, Series of 2016.

General Obligation Bonds, Series of 2012 A and 2012 B

On June 20, 2012, the County issued \$3,595,000 in General Obligation Bonds to fund the termination of a swap related to the 2002A bond issuance.

Interest payments are payable semi-annually on March 1 and September 1 with rates ranging from 1.11% to 1.51% until maturity. The 2012 A Bonds balance was paid during 2015.

On June 20, 2012, the County issued \$18,990,000 in General Obligation Bonds to advance refund a portion of the 1992 bond issuance, to currently refund the 2002A bond issuance, and to fund various capital projects.

Interest payments are payable semi-annually on March 1 and September 1 with rates ranging from 1.50% to 4.00% until maturity. The 2012B Bonds that mature on and after September 1, 2023 are subject to redemption prior to maturity, at the option of the County, on September 1, 2022 or on any date thereafter, as specified in the 2012 Bonds issuance offering statement. The 2012 B Bonds have a final maturity date on September 1, 2033.

General Obligation Bonds, Series of 2013

During September 2013, the County issued \$7,980,000 in General Obligation Bonds to currently refund the outstanding balances of the Series 2003 and 2003A General Obligation Bonds.

Interest payments are payable semi-annually on March 1 and September 1 with rates ranging from .300% to 4.00% until maturity. The 2013 Bonds are not subject to optional redemption or mandatory redemption prior to their stated dates of maturity. The 2013 Bonds have a final maturity date on September 1, 2022.

General Obligation Bonds, Series of 2016

On April 19, 2016, the County issued \$8,290,000 in General Obligation Bonds to (1) advance refund a portion of the County's General Obligation Bonds, Series A of 2007; and (2) advance refund all of the County's General Obligation Bonds, Series B of 2007.

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

Interest payments are payable semi-annually on March 1 and September 1 with rates ranging from 2.000 % to 2.750% until maturity. The Bonds slated to mature on or after September 1, 2022 shall be subject to redemption, prior to maturity, at the option of the County, in whole or in part, in any order of maturities as the County shall select, at any date of dates on or after September 1, 2021. The Bonds slated to mature on September 1, 2030 are subject to mandatory redemption prior to maturity in part, by lot, on September 1 of 2028, 2029, and 2030 at the redemption price of 100% of the principal amount of Bonds to be redeemed, plus accrued interest to the date fixed for redemption, in the principal amounts of \$1,930,000, \$2,530,000, and \$1,415,000, respectively. The 2016 Bonds have a final maturity date on September 1, 2030.

Annual debt service requirements are as follows:

Years	Governmental Activities	
	Principal	Interest
2017	\$ 2,365,000	\$ 1,590,922
2018	2,390,000	1,565,847
2019	2,495,000	1,538,108
2020	2,540,000	1,506,878
2021	2,590,000	1,475,728
2022-2026	14,625,000	5,968,373
2027-2031	17,185,510	2,612,843
2032-2033	4,265,000	298,800
	48,455,510	16,557,499
Accreted interest	(371,733)	371,733
	<u>\$ 48,083,777</u>	<u>\$ 16,929,232</u>

At December 31, 2016, the County has \$11,670,000 of defeased debt outstanding relating to the various debt issuances.

9. CONTINGENCIES

At year-end, various claims have been paid and closed where others are outstanding relating to workers' compensation injuries under existing insurance policies. Provisions are recorded in the General and Enterprise funds for benefit claims incurred but unpaid at December 31, 2016. The County has an outstanding claim with a balance of \$705,733 included in accounts payable on the statement of net position at December 31, 2016.

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the state government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

The County was ordered by the court to conduct a reassessment of properties as a result of a filing by local school districts. In the fall of 2013, the County entered into a contract with Tyler Technologies, Inc. to conduct the reassessment used fund balance to cover the total costs. A total of \$1,796,279 was paid to Tyler Technologies, Inc. in 2016. The reassessment was completed and property values were turned over to the County on July 1, 2016. Following this, the County conducted formal and informal appeals before the tax appeals board, with the process concluding on October 31, 2016. At present, those who have chosen to appeal the appeals board's decision are now making their appeal before special appeals masters named by the courts.

There are various other matters of pending litigation in which the County is involved. The County believes it has meritorious defenses and intends to contest these matters. The amount of liability, if any, related to these matters is not subject to determination. Accordingly, the financial statements do not include any adjustment for possible effects.

10. RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the County carries commercial insurance. There have been no significant changes in insurance coverage in any of the past three years.

11. HEALTH CENTER FINANCIAL STATUS

As of June 30, 2016, the Health Center has a deficit unrestricted net position of \$227,412. In January of 2017, the County issued requests for qualifications and proposals for the sale of the Health Center. After a five-month review process, a committee comprised of key county personnel and the law firm engaged to assist the county with the sale, recommended the Board of Commissioners on June 1, 2017 to accept Premier Healthcare Management LLC's proposal and approve the letter of

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

intent with a purchase price of \$26.8 million. The County is anticipating the sale to be finalized in late summer or early fall of 2017.

12. SUBSEQUENT EVENTS

On May 16, 2017, the County issued \$5,600,000 in General Obligation Bonds to (1) currently refund a portion of the County's outstanding General Obligation Bonds, Series A of 2007; and (2) pay the costs and expenses of issuing the Bonds. Interest payments are payable semi-annually on March 1 and September 1 with rates ranging from 1.200 % to 2.800% until maturity. The Bonds stated to mature on or after September 1, 2023, shall be subject to redemption, prior to maturity, at the option of the County, in whole or in part, in any order of maturities as the County shall select, at any date of dates on or after September 1, 2022 at a price equal to 100% of the principal amount of the Bonds to be redeemed and accrued interest thereon to the date fixed for redemption. The Bonds slated to mature on September 1, 2030 are subject to mandatory redemption prior to maturity in part, by lot, on September 1 of 2028, 2029, and 2030 at the redemption price of 100% of the principal amount of Bonds to be redeemed, plus accrued interest to the date fixed for redemption, in the principal amounts of \$1,330,000, \$800,000, and \$1,960,000, respectively. The 2017 Bonds have a final maturity date on September 1, 2030. The refunding resulted in an economic gain of \$2,408,254 and cash flow savings of approximately \$1,031,909.

**Required Supplementary
Information**

COUNTY OF WASHINGTON, PENNSYLVANIA

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION -
EMPLOYEES' RETIREMENT PLAN

SCHEDULES OF CHANGES IN THE PLAN'S NET
PENSION LIABILITY AND RELATED RATIOS

YEARS ENDED DECEMBER 31

	2016	2015	2014
Total Pension Liability:			
Service cost	\$ 5,731,291	\$ 1,887,140	\$ 1,647,078
Interest	11,189,569	10,740,724	10,073,103
Changes of benefit terms	-	-	-
Differences between expected and actual experience	1,278,427	4,021,278	3,086,442
Changes of assumptions	-	6,100,414	1,508,303
Benefit payments, including refunds of member contributions	(9,296,214)	(7,875,166)	(7,439,450)
Other	(770,297)	-	-
Net Changes in Total Pension Liability	8,132,776	14,874,390	8,875,476
Total Pension Liability - Beginning	160,063,308	145,188,918	136,313,442
Total Pension Liability - Ending (a)	\$ 168,196,084	\$ 160,063,308	\$ 145,188,918
Plan Fiduciary Net Position:			
Contributions - employer	\$ 4,610,598	\$ 4,330,962	\$ 3,799,410
Contributions - member	3,701,893	3,637,788	3,440,897
Net investment income	10,109,312	(1,380,494)	8,760,353
Benefit payments, including refunds of member contributions	(9,296,214)	(7,875,166)	(7,439,450)
Administrative expense	(87,797)	(79,148)	(97,514)
Other	(27,131)	279,905	-
Net Change in Plan Fiduciary Net Position	9,010,661	(1,086,153)	8,463,696
Plan Fiduciary Net Position - Beginning	141,946,444	143,032,597	134,568,901
Plan Fiduciary Net Position - Ending (b)	\$ 150,957,105	\$ 141,946,444	\$ 143,032,597
Net Pension Liability - Ending (a-b)	\$ 17,238,979	\$ 18,116,864	\$ 2,156,321
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	89.75%	88.68%	98.51%
Covered Employee Payroll	\$ 49,478,948	\$ 46,821,026	\$ 45,478,161
Net Pension Liability as a Percentage of Covered Employee Payroll	34.84%	38.69%	4.74%

Note - Until a full 10-year trend is compiled, the required information for the plan is presented for as many years as are available.

See accompanying notes to required supplementary schedules.

COUNTY OF WASHINGTON, PENNSYLVANIA

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION - EMPLOYEES' RETIREMENT PLAN

SCHEDULES OF PLAN CONTRIBUTIONS AND INVESTMENT RETURNS

YEARS ENDED DECEMBER 31

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Schedule of Contributions			
Actuarially determined contribution	\$ 4,610,598	\$ 4,330,962	\$ 3,799,410
Contributions in relation to the actuarially determined contribution	<u>4,610,598</u>	<u>4,330,962</u>	<u>3,799,410</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	<u>\$ 49,478,948</u>	<u>\$ 46,821,026</u>	<u>\$ 45,478,161</u>
Contributions as a percentage of covered employee payroll	9.32%	9.25%	8.35%
Investment Returns			
Annual money-weighted rate of return, net of investment expense	7.70%	-0.30%	7.16%

Note - Until a full 10-year trend is compiled, the required information for the plan is presented for as many years as are available.

See accompanying notes to required supplementary schedules.

COUNTY OF WASHINGTON, PENNSYLVANIA

SCHEDULE OF FUNDING PROGRESS FOR OTHER POST-EMPLOYMENT BENEFIT PLANS

Actuarial Valuation Date	(a) Actuarial Value of Asset	(b) Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	(a/b) Funded Ratio	(c) Covered Payroll	Underfunded Actuarial Accrued Liability (b-a) as a Percentage of Covered Payroll ((b-a)/c)
1/1/2016	\$ 9,997,475	\$ 57,852,164	\$ 47,854,689	17.3%	\$ 49,478,948	96.7%
1/1/2015	8,158,166	55,349,107	47,190,941	14.7%	46,821,026	100.8%
1/1/2014	5,748,884	61,493,919	55,745,035	9.3%	45,478,161	122.6%

See accompanying notes to required supplementary schedules.

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO REQUIRED SUPPLEMENTARY SCHEDULES

YEAR ENDED DECEMBER 31, 2016

1. PENSION INFORMATION

Actuarial Methods and Assumptions

The information presented in the “Required Supplementary Information – Employees’ Retirement Plan” was determined as part of the actuarial valuations at the dates indicated. Methods and assumptions used to determine the actuarially determined contribution rate are as follows:

Actuarial valuation date	1/1/2016
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar
Asset valuation method	Fair Value
Remaining amortization period	19 years
Actuarial assumptions:	
Investment rate of return	7.00%
Projected salary increases	3.50%
Inflation rate	3.00%
Retirement age	Age 60 or 55 with 20 years
Mortality table	2013 RP Annuitant and Non-Annuitant Mortality Tables for males and females with no projected improvement

Change in Actuarial Assumptions

No changes noted for the January 1, 2016 valuation.

2. OPEB INFORMATION

The information presented in the required supplementary OPEB schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO REQUIRED SUPPLEMENTARY SCHEDULES

YEAR ENDED DECEMBER 31, 2016

Actuarial Data:

Valuation date:	1/1/2016
Actuarial cost method:	Projected Unit Credit
Amortization method:	Level dollar, open
Amortization period:	30 years
Asset valuation method	Market Value

Economic Assumptions:

Projected salary inflation	N/A
Investment rate of return	7.00%
Health care inflation rates	5.9% initial, 3.9% ultimate

N/A = not applicable

Supplementary Information

COUNTY OF WASHINGTON, PENNSYLVANIA

**OTHER GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET**

DECEMBER 31, 2016

	Special Revenue Funds						Capital Projects	Debt Service Fund	Total Other Governmental Funds	
	Airport Operating	Behavioral Health and Developmental Services	Liquid Fuels	Hazardous Materials Emergency Response	Domestic Relations	Emergency Communication 911	Total	Airport Capital Projects		Debt Service
Assets										
Cash and cash equivalents	\$ 28,444	\$ 1,378,875	\$ 1,279,271	\$ 482,873	\$ 68,273	\$ 518,513	\$ 3,756,249	\$ -	\$ 2,582,599	\$ 6,338,848
Taxes receivable, net of allowance	-	-	-	-	-	-	-	-	143,578	143,578
Due from other governments	-	260,584	435,836	52,545	531,615	1,001,404	2,281,984	989,275	10,065	3,281,324
Interest and other	1,830	1,250	27,090	-	5,398	-	35,568	1,391	-	36,959
Loan receivable	-	-	-	-	-	-	-	-	110,744	110,744
Due from other funds	-	-	-	-	498	38,121	38,619	-	-	38,619
Prepays and other	-	-	-	-	324	4,100	4,424	-	-	4,424
Total Assets	\$ 30,274	\$ 1,640,709	\$ 1,742,197	\$ 535,418	\$ 606,108	\$ 1,562,138	\$ 6,116,844	\$ 990,666	\$ 2,846,986	\$ 9,954,496
Liabilities, Deferred Inflows of Resources, and Fund Balance										
Liabilities:										
Accounts payable	\$ 1,508	\$ 1,154,188	\$ 455,842	\$ 597	\$ 56,204	\$ 49,170	\$ 1,717,509	\$ 990,666	\$ -	\$ 2,708,175
Accrued payroll and other expenses	-	23,870	29,471	977	100,821	47,099	202,238	-	-	202,238
Unearned revenue	-	462,527	-	-	-	-	462,527	-	12,029	474,556
Due to other funds	-	124	45	15,407	401,616	175,651	592,843	-	-	592,843
Total Liabilities	1,508	1,640,709	485,358	16,981	558,641	271,920	2,975,117	990,666	12,029	3,977,812
Deferred Inflows of Resources:										
Unavailable revenue - loan repayment	-	-	-	-	-	-	-	-	110,744	110,744
Unavailable revenue - real estate taxes	-	-	-	-	-	-	-	-	135,204	135,204
Total Deferred Inflows of Resources	-	-	-	-	-	-	-	-	245,948	245,948
Fund Balance:										
Nonspendable:										
Inventories and prepays	-	-	-	-	324	4,100	4,424	-	-	4,424
Restricted for:										
Debt service	-	-	-	-	-	-	-	-	2,589,009	2,589,009
Liquid fuels	-	-	1,256,203	-	-	-	1,256,203	-	-	1,256,203
Emergency communication	-	-	-	-	-	1,269,611	1,269,611	-	-	1,269,611
Committed for:										
Hazardous materials	-	-	-	517,522	-	-	517,522	-	-	517,522
Airport operations	28,766	-	-	-	-	-	28,766	-	-	28,766
Domestic relations	-	-	-	-	45,842	-	45,842	-	-	45,842
Assigned for:										
Encumbrances	-	-	636	915	1,301	16,507	19,359	-	-	19,359
Total Fund Balance	28,766	-	1,256,839	518,437	47,467	1,290,218	3,141,727	-	2,589,009	5,730,736
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 30,274	\$ 1,640,709	\$ 1,742,197	\$ 535,418	\$ 606,108	\$ 1,562,138	\$ 6,116,844	\$ 990,666	\$ 2,846,986	\$ 9,954,496

COUNTY OF WASHINGTON, PENNSYLVANIA

OTHER GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED DECEMBER 31, 2016

	Special Revenue Funds						Capital Projects Fund	Debt Service Fund	Total Other Governmental Funds	
	Airport Operating	Behavioral Health and Developmental Services	Liquid Fuels	Hazardous Materials Emergency Response	Domestic Relations	Emergency Communication 911	Total	Airport Capital Projects		Debt Service
Revenues:										
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,280,660	\$ 3,280,660
Intergovernmental	-	10,930,718	1,989,536	55,412	2,124,767	4,021,163	19,121,596	1,197,653	-	20,319,249
Charges for services	-	835,334	-	102,826	87,061	21,110	1,046,331	-	-	1,046,331
Interest	-	7,900	4,909	1,663	-	1,884	16,356	-	6,331	22,687
Other	-	11,552	-	32,100	12,101	-	55,753	-	439,275	495,028
Total revenues	-	11,785,504	1,994,445	192,001	2,223,929	4,044,157	20,240,036	1,197,653	3,726,266	25,163,955
Expenditures:										
Current:										
General government - judicial	-	-	-	-	3,365,591	-	3,365,591	-	-	3,365,591
Public safety	-	-	-	144,832	-	4,181,234	4,326,066	-	-	4,326,066
Public works and enterprises	100,000	-	1,821,645	-	-	-	1,921,645	-	-	1,921,645
Human services	-	12,185,504	-	-	-	-	12,185,504	-	-	12,185,504
Debt service:										
Principal	-	-	-	-	-	-	-	-	2,320,000	2,320,000
Interest and fiscal charges	-	-	-	-	-	-	-	-	1,433,629	1,433,629
Bond issue costs	-	-	-	-	-	-	-	-	136,849	136,849
Capital projects	-	-	-	-	-	-	-	1,200,478	-	1,200,478
Total expenditures	100,000	12,185,504	1,821,645	144,832	3,365,591	4,181,234	21,798,806	1,200,478	3,890,478	26,889,762
Excess (Deficiency) of Revenues Over Expenditures	(100,000)	(400,000)	172,800	47,169	(1,141,662)	(137,077)	(1,558,770)	(2,825)	(164,212)	(1,725,807)
Other Financing Sources (Uses):										
Refunding bonds issued	-	-	-	-	-	-	-	-	8,290,000	8,290,000
Bond discount	-	-	-	-	-	-	-	-	(42,624)	(42,624)
Payments to refunded bonds escrow agent	-	-	-	-	-	-	-	-	(8,110,527)	(8,110,527)
Loan repayments	-	-	-	-	-	-	-	-	4,895	4,895
Transfer in from business-type activity	-	-	-	-	-	1,127,295	1,127,295	-	-	1,127,295
Transfers in	100,000	400,000	214,308	-	1,000,000	300,000	2,014,308	2,825	-	2,017,133
Total financing sources (uses)	100,000	400,000	214,308	-	1,000,000	1,427,295	3,141,603	2,825	141,744	3,286,172
Net Change in Fund Balance	-	-	387,108	47,169	(141,662)	1,290,218	1,582,833	-	(22,468)	1,560,365
Fund Balance:										
Beginning of year	28,766	-	869,731	471,268	189,129	-	1,558,894	-	2,611,477	4,170,371
End of year	\$ 28,766	\$ -	\$ 1,256,839	\$ 518,437	\$ 47,467	\$ 1,290,218	\$ 3,141,727	\$ -	\$ 2,589,009	\$ 5,730,736

COUNTY OF WASHINGTON, PENNSYLVANIA

SPECIAL REVENUE FUNDS

AIRPORT OPERATING FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

YEAR ENDED DECEMBER 31, 2016

	Original and Final Budgeted Amounts	Actual Amounts	Variance
Revenues:			
Charges for services	\$ -	\$ -	\$ -
Other	-	-	-
Total revenues	-	-	-
Expenditures:			
Public works and enterprises	100,000	100,000	-
Excess (Deficiency) of Revenues Over Expenditures	(100,000)	(100,000)	-
Other Financing Sources (Uses):			
Transfer in	100,000	100,000	-
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

COUNTY OF WASHINGTON, PENNSYLVANIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL BEHAVIORAL HEALTH AND DEVELOPMENTAL SERVICES SPECIAL REVENUE FUND

YEAR ENDED DECEMBER 31, 2016

	Original and Final Budgeted Amounts	Actual Amounts	Variance
Revenues:			
Intergovernmental	\$ 10,899,637	\$ 10,930,718	\$ 31,081
Charges for services	840,334	835,334	(5,000)
Interest	11,700	7,900	(3,800)
Other	-	11,552	11,552
Total revenues	11,751,671	11,785,504	33,833
Expenditures:			
Human services	12,012,568	12,185,504	172,936
Excess (Deficiency) of Revenues Over Expenditures			
	(260,897)	(400,000)	(139,103)
Other Financing Sources (Uses):			
Transfer in	400,000	400,000	-
Net Change in Fund Balance	\$ 139,103	\$ -	\$ (139,103)

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

COUNTY OF WASHINGTON, PENNSYLVANIA

SPECIAL REVENUE FUNDS

LIQUID FUELS FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

YEAR ENDED DECEMBER 31, 2016

	Original and Final Budgeted Amounts	Actual	Variance
Revenues:			
Intergovernmental	\$ 2,272,000	\$ 1,989,536	\$ (282,464)
Interest	800	4,909	4,109
Total revenues	<u>2,272,800</u>	<u>1,994,445</u>	<u>(278,355)</u>
Expenditures:			
Public works and enterprises: Highways and bridges	<u>2,173,485</u>	<u>1,821,645</u>	<u>(351,840)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>99,315</u>	<u>172,800</u>	<u>73,485</u>
Other Financing Sources (Uses):			
Operating transfer in	<u>-</u>	<u>214,308</u>	<u>214,308</u>
Net Change in Fund Balance	<u>\$ 99,315</u>	<u>\$ 387,108</u>	<u>\$ 287,793</u>

COUNTY OF WASHINGTON, PENNSYLVANIA

SPECIAL REVENUE FUNDS

HAZARDOUS MATERIALS EMERGENCY RESPONSE FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

YEAR ENDED DECEMBER 31, 2016

	Original and Final Budgeted Amounts	Actual Amounts	Variance
Revenues:			
Intergovernmental	\$ 61,865	\$ 55,412	\$ (6,453)
Charges for services	82,875	102,826	19,951
Interest	319	1,663	1,344
Other	5,103	32,100	26,997
Total revenues	150,162	192,001	41,839
Expenditures:			
Public safety	149,059	144,832	(4,227)
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,103	\$ 47,169	\$ 37,612

COUNTY OF WASHINGTON, PENNSYLVANIA

SPECIAL REVENUE FUNDS

DOMESTIC RELATIONS FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

YEAR ENDED DECEMBER 31, 2016

	Original and Final Budgeted Amounts	Actual Amounts	Variance
Revenues:			
Intergovernmental	\$ 2,300,000	\$ 2,124,767	\$ (175,233)
Charges for services	135,000	87,061	(47,939)
Other	26,000	12,101	(13,899)
Total revenues	2,461,000	2,223,929	(237,071)
Expenditures:			
General government - judicial	3,579,767	3,365,591	(214,176)
Excess (Deficiency) of Revenues Over Expenditures	(1,118,767)	(1,141,662)	(22,895)
Other Financing Sources (Uses):			
Transfer in	1,000,000	1,000,000	-
Net Change in Fund Balance	\$ (118,767)	\$ (141,662)	\$ (22,895)

COUNTY OF WASHINGTON, PENNSYLVANIA

FIDUCIARY FUNDS

ALL AGENCY FUNDS COMBINING BALANCE SHEET

DECEMBER 31, 2016

	<u>Treasurer</u>	<u>Recorder of Deeds</u>	<u>Register of Wills</u>	<u>Prothonotary</u>	<u>Clerk of Courts</u>	
Assets						
Cash and cash equivalents	\$ 69,050	\$ 1,529,308	\$ 354,775	\$ 1,758,570	\$ 859,314	
Liabilities						
Due to other governments	\$ 69,050	\$ 1,529,308	\$ 354,775	\$ -	\$ -	
Escrow liability	-	-	-	1,758,570	859,314	
Total Liabilities	\$ 69,050	\$ 1,529,308	\$ 354,775	\$ 1,758,570	\$ 859,314	
Assets						
Cash and cash equivalents	\$ 21,032	\$ 2,174,325	\$ 51,855	\$ 640,573	\$ 344,959	\$ 7,803,761
Liabilities						
Due to other governments	\$ -	\$ 223,177	\$ -	\$ -	\$ -	\$ 2,176,310
Escrow liability	21,032	1,951,148	51,855	640,573	344,959	5,627,451
Total Liabilities	\$ 21,032	\$ 2,174,325	\$ 51,855	\$ 640,573	\$ 344,959	\$ 7,803,761

COUNTY OF WASHINGTON, PENNSYLVANIA

FIDUCIARY FUNDS

ALL AGENCY FUNDS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

YEAR ENDED DECEMBER 31, 2016

	<u>Balance at January 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at December 31, 2016</u>
<u>Treasurer:</u>				
<u>Assets</u>				
Cash and cash equivalents	<u>\$ 69,199</u>	<u>\$ 364,575</u>	<u>\$ 364,724</u>	<u>\$ 69,050</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 69,199</u>	<u>\$ 364,575</u>	<u>\$ 364,724</u>	<u>\$ 69,050</u>
<u>Recorder of Deeds:</u>				
<u>Assets</u>				
Cash and cash equivalents	<u>\$ 1,320,065</u>	<u>\$ 35,572,855</u>	<u>\$ 35,363,612</u>	<u>\$ 1,529,308</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 1,320,065</u>	<u>\$ 35,572,855</u>	<u>\$ 35,363,612</u>	<u>\$ 1,529,308</u>
<u>Register of Wills:</u>				
<u>Assets</u>				
Cash and cash equivalents	<u>\$ 260,228</u>	<u>\$ 12,868,143</u>	<u>\$ 12,773,596</u>	<u>\$ 354,775</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 260,228</u>	<u>\$ 12,868,143</u>	<u>\$ 12,773,596</u>	<u>\$ 354,775</u>

(Continued)

COUNTY OF WASHINGTON, PENNSYLVANIA

FIDUCIARY FUNDS

ALL AGENCY FUNDS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

YEAR ENDED DECEMBER 31, 2016

(Continued)

	Balance at January 1, 2016	Additions	Deletions	Balance at December 31, 2016
Prothonotary:				
<hr/>				
Assets				
<hr/>				
Cash and cash equivalents	\$ 740,671	\$ 2,227,108	\$ 1,209,209	\$ 1,758,570
<hr/>				
Liabilities				
<hr/>				
Escrow liability	\$ 740,671	\$ 2,227,108	\$ 1,209,209	\$ 1,758,570
<hr/>				
Clerk of Courts:				
<hr/>				
Assets				
<hr/>				
Cash and cash equivalents	\$ 784,811	\$ 4,072,389	\$ 3,997,886	\$ 859,314
<hr/>				
Liabilities				
<hr/>				
Escrow liability	\$ 784,811	\$ 4,072,389	\$ 3,997,886	\$ 859,314

(Continued)

COUNTY OF WASHINGTON, PENNSYLVANIA

FIDUCIARY FUNDS

ALL AGENCY FUNDS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

YEAR ENDED DECEMBER 31, 2016

(Continued)

	Balance at January 1, 2016	Additions	Deletions	Balance at December 31, 2016
CYS Services:				
Assets				
Cash and cash equivalents	\$ 18,808	\$ 9,620	\$ 7,396	\$ 21,032
Liabilities				
Escrow liability	\$ 18,808	\$ 9,620	\$ 7,396	\$ 21,032
Tax Claim:				
Assets				
Cash and cash equivalents	\$ 1,843,264	\$ 10,031,358	\$ 9,700,297	\$ 2,174,325
Liabilities				
Due to other governments	165,896	6,870,106	6,812,825	223,177
Escrow liability	1,677,368	1,205,906	932,126	1,951,148
	\$ 1,843,264	\$ 8,076,012	\$ 7,744,951	\$ 2,174,325
Domestic Relations:				
Assets				
Cash and cash equivalents	\$ 76,970	\$ 1,368,090	\$ 1,393,205	\$ 51,855
Liabilities				
Escrow liability	\$ 76,970	\$ 1,368,090	\$ 1,393,205	\$ 51,855

(Continued)

COUNTY OF WASHINGTON, PENNSYLVANIA

FIDUCIARY FUNDS

ALL AGENCY FUNDS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

YEAR ENDED DECEMBER 31, 2016

(Continued)

	Balance at January 1, 2016	Additions	Deletions	Balance at December 31, 2016
Prison Commissary:				
<hr/>				
Assets				
<hr/>				
Cash and cash equivalents	\$ 421,559	\$ 754,502	\$ 535,488	\$ 640,573
<hr/>				
Liabilities				
<hr/>				
Escrow liability	\$ 421,559	\$ 754,502	\$ 535,488	\$ 640,573
<hr/>				
Sheriff's Office:				
<hr/>				
Assets				
<hr/>				
Cash and cash equivalents	\$ 624,998	\$ 1,421,831	\$ 1,701,870	\$ 344,959
<hr/>				
Liabilities				
<hr/>				
Escrow liability	\$ 624,998	\$ 1,421,831	\$ 1,701,870	\$ 344,959
<hr/>				

(Concluded)

**County of Washington,
Pennsylvania**

Independent Auditor's Report in Accordance
with *Government Auditing Standards*

Year Ended December 31, 2016

Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

Board of County Commissioners
County Controller
County of Washington, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Washington, Pennsylvania (County), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated August 4, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The

Board of Directors
County Controller
County of Washington, Pennsylvania
Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Others Matters

results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Mahe Duessel

Pittsburgh, Pennsylvania
August 4, 2017