County of Washington, Pennsylvania

Financial Statements and Required Supplementary and Supplementary Information

Year Ended December 31, 2017
with Independent Auditor's Reports

MaherDuessel

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COUNTY OF WASHINGTON, PENNSYLVANIA

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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, 2017, 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, 2017 and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the 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 xii and 59 through 65, 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 6, 2018 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 solely 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 effectiveness of the County's 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 6, 2018

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, 2017. 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 $40,274,602, an increase of $20,531,793 from 2016. The increase was due to the sale of the Washington County Health Center. The major components of the fund balance are: $24,135,776, which is assigned for future purposes and/or projects, and $15,537,869, which is unassigned and represents all other spendable monies not classified elsewhere.

The County had $45,743,693 of general obligation debt as of December 31, 2017. This represents a decrease of $2,340,084 from 2016.

The County had a $69.0 million unrestricted net position for its governmental activities as of December 31, 2017, an increase of $21.1 million from the previous year. Total assets increased by $23.3 million, total liabilities decreased by $17.5 million from 2016. Net investment in capital assets increased by $4.3 million from the previous year.

The County received $5,630,421 in Act 13 funds in 2017. This was the sixth year funds were received from this impact fee levied on unconventional gas wells.

The County issued General Obligation Bonds, Series of 2017 to refund a portion of the General Obligation Bonds, Series A of 2007.

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

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 $317,936 was spent in 2017, including contracted services and associated costs involved with the reassessment and remaining appeals costs. At the time of the issuance of this report, a small number of appeals have yet to be heard before court-appointed special appeals masters. These are expected to be heard in 2018, which will conclude the reassessment process. During 2017, a total of $1,026,263 in real estate refunds were issued. The increased refund activity was due to settlement of tax appeals.

The County's real estate millage changed to 2.43 mills from 24.9 mills to reflect the new assessment figure. The County chose not to increase property taxes and remained relatively revenue neutral.

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 2017. 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 Statement of Net Position

The following table summarizes the Statement of Net Position as of December 31, 2017 and compares it to 2016.

Summary of Net Position

	Governmental Activities		Business-type Activities	
	2017	2016	2017	2016
Assets:				
Current and other assets	$ 104,912,008	$ 85,173,869	$ 31,751	$ 5,673,324
Capital assets	82,598,426	79,061,836	-	6,518,642
Total Assets	**187,510,434**	**164,235,705**	**31,751**	**12,191,966**
Deferred Outflows of Resources:				
Related to pensions	9,046,156	12,592,389	-	-
Deferred charge on refunding	983,708	1,106,505	-	-
Total Deferred Outflows of Resources	**10,029,864**	**13,698,894**	**-**	**-**
Liabilities:				
Current liabilities	32,900,250	49,211,645	31,751	5,852,520
Other liabilities	44,390,380	45,615,626	-	-
Total Liabilities	**77,290,630**	**94,827,271**	**31,751**	**5,852,520**
Deferred Inflows of Resources:				
Related to pension	9,183,096	167,944	-	-
Total Deferred Inflows of Resources	**9,183,096**	-	-	-
Net Position:				
Net investment in capital assets	38,053,002	33,780,963	-	6,518,642
Restricted	4,033,553	1,256,203	-	48,216
Unrestricted	68,980,017	47,902,218	-	(227,412)
Total Net Position	**$ 111,066,572**	**$ 82,939,384**	**$ -**	**$ 6,339,446**

Net Position

For 2017, net position of governmental activities increased by $28,127,188 to $111,066,572. Governmental activities unrestricted net position, funds available for operations, increased by $21,077,799.

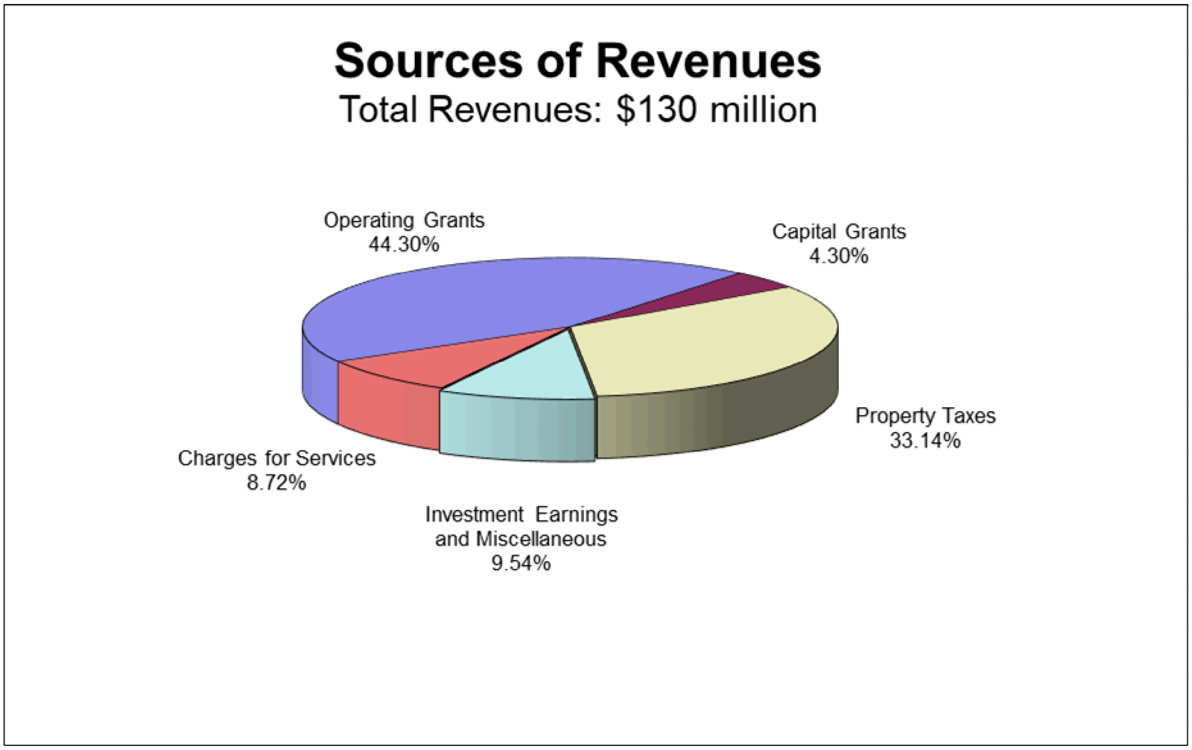
Summary of Changes in Net Position
For the Years Ended December 31, 2017 and 2016

	Governmental Activities		Business-type Activities	
	2017	2016	2017	2016
Revenues:				
Program Revenues:				
Charges for services	$ 11,343,914	$ 10,265,470	$ 17,977,061	$ 27,020,627
Operating grants and contributions	57,612,490	61,615,694	-	-
Capital grants and contributions	5,587,345	3,626,490	-	-
General Revenues:				
Property taxes	43,096,766	42,366,724	-	-
Investment earnings	575,788	188,052	7,361	4,564
Reimbursed expenses	-	-	-	-
Miscellaneous	11,837,164	10,650,742	-	-
Total Revenues	**130,053,467**	**128,713,172**	**17,984,422**	**27,025,191**
Expenses:				
General government	26,535,981	28,013,863	-	-
Judicial	18,551,638	17,447,319	-	-
Public safety	24,422,780	23,443,604	-	-
Public works	2,342,556	2,801,438	-	-
Human services	51,979,742	50,541,428	22,482,198	33,495,973
Culture and recreation	531,636	467,132	-	-
Conservation and development	315,622	341,321	-	-
Interest on long-term debt	2,466,493	1,732,988	-	-
Total Expenses	**127,146,448**	**124,789,093**	**22,482,198**	**33,495,973**
Excess (Deficiency) of Revenues Over Expenses Before Transfers	2,907,019	3,924,079	(4,497,776)	(6,470,782)
Transfers	25,220,169	(3,223,995)	(25,220,169)	3,223,995
Transfers (911 fund reclassification)	-	2,842,094	-	(2,842,094)
Special item - sale of health center	-	-	23,378,499	-
Change in Net Position	**28,127,188**	**3,542,178**	**(6,339,446)**	**(6,088,881)**
Net Position - Beginning	82,939,384	79,397,206	6,339,446	12,428,327
Net Position - Ending	**$ 111,066,572**	**$ 82,939,384**	**$ -**	**$ 6,339,446**

Transfers

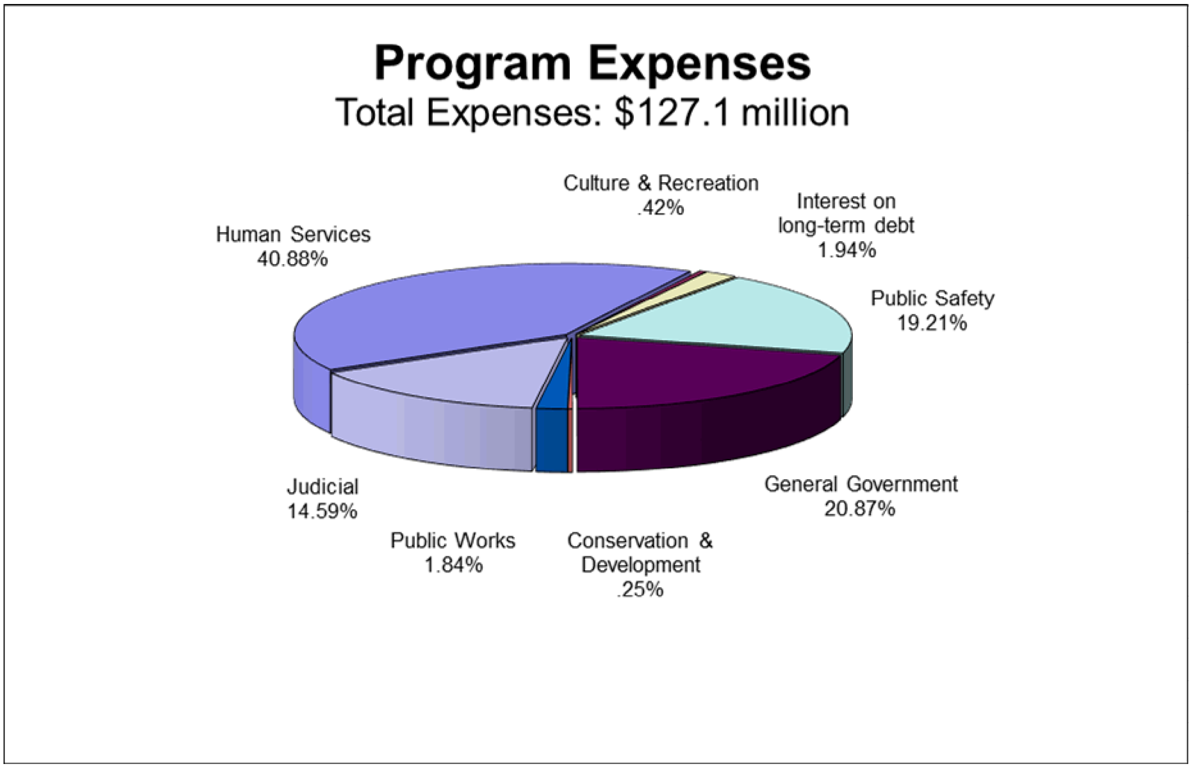
In 2017, the Washington County Health Center was sold to Premier Healthcare Management LLC. Accordingly, the Health Center Fund was closed and any remaining assets and liabilities were transferred to the General Fund.

The following chart shows the composition of revenues for the year ended December 31, 2017:



Total government-wide revenues of $130 million were derived primarily from program-based operating grants, representing 44.30% of the total. Real estate taxes made up the second largest source of revenue at 33.14%.

The following chart graphically depicts the government-wide program expenses for the year ended December 31, 2017:



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 $127.1 million with a net cost of services of $52.6 million.

Net Cost of Washington County's Governmental Activities
For the Years Ended December 31, 2017 and 2016

	Expenses		Program Revenues		Net Cost of Services	
	2017	2016	2017	2016	2017	2016
General government	$ 26,535,981	$ 28,013,863	$ 6,392,558	$ 5,415,627	$ 20,143,423	$ 22,598,236
Judicial	18,551,638	17,447,319	7,286,631	6,907,146	11,265,007	10,540,173
Public safety	24,422,780	23,443,604	6,367,006	6,394,006	18,055,774	17,049,598
Public works	2,342,556	2,801,438	3,319,684	3,318,940	(977,128)	(517,502)
Human services	51,979,742	50,541,428	50,942,479	53,120,147	1,037,263	(2,578,719)
Culture and recreation	531,636	467,132	234,641	351,266	296,995	115,866
Conservation and development	315,622	341,321	750	522	314,872	340,799
Debt service	2,466,493	1,732,988	-	-	2,466,493	1,732,988
Totals	$ 127,146,448	$ 124,789,093	$ 74,543,749	$ 75,507,654	$ 52,602,699	$ 49,281,439

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, 2017, the County had combined ending fund balances of $86,791,158, an increase of $23.7 million from 2016.

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 2017, the total General Fund balance was $40,274,602, an increase of $20,531,793 from 2016.

General Fund revenues decreased by $895,841 during 2017, from $80,112,504 to $79,216,663, while expenditures in the fund increased from $75,553,911 to $80,515,247.

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 $4,072,283.

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, 2017 was $0, since the facility was sold during 2017.

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 $0. 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. The remaining Health Choices funds and accumulated interest were turned over to Southwest Behavioral Health Management, Inc. during 2017.

At year-end, both proprietary funds were closed as operations ended.

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, $2,692,000 was allocated to departments anticipated to exceed their original budgets. Of this amount, the largest adjustments were for the Interfund Transfers and Real Estate Tax Refunds. The overall variance between the actual expenditures and the final budget was a positive variance of $3,110,355.

Revenue Variances

Variances between actual revenue and budgeted revenue for the year reflected a negative variance in the amount of $3,155,794.

Capital Assets and Debt Administration

The County's net investment in capital assets amounted to $82,598,426, as of December 31, 2017.

Summary of Capital Assets

	Governmental Activities		Business-type Activities		Balances as of December 31	
	2017	2016	2017	2016	2017	2016
Land and improvements	$ 15,763,172	$ 15,577,344	$ -	$ -	$ 15,763,172	$ 15,577,344
Buildings and improvements	22,549,714	23,821,214	-	6,314,494	22,549,714	30,135,708
Furniture, fixtures, and equipment	8,375,595	8,544,912	-	204,148	8,375,595	8,749,060
Infrastructure	28,139,006	26,328,114	-	-	28,139,006	26,328,114
Construction in progress	7,770,939	4,790,252	-	-	7,770,939	4,790,252
Total	$ 82,598,426	$ 79,061,836	$ -	$ 6,518,642	$ 82,598,426	$ 85,580,478

Highlights of amounts expended in 2017 for major capital assets include:

- $2,145,000 for development at the County Airport.
- $952,000 for renovations to County Buildings.
- $1,917,000 for improvements to the County Parks and County Trails.
- $673,000 for improvements to County Bridges.

Further details found in Note 4 of the County’s financial statements.

Long-Term Debt

As of December 31, 2017, the County had outstanding debt of $45,743,693. This was a decrease of $2,340,084 from the previous year.

Outstanding Debt as of December 31, 2017 and 2016

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
General obligation bonds	$ 42,092,047	$ 43,917,749	$ -	$ -	$ 42,092,047	$ 43,917,749
Lease rental debt	3,651,646	4,166,028	-	-	3,651,646	4,166,028
Total	$ 45,743,693	$ 48,083,777	$ -	$ -	$ 45,743,693	$ 48,083,777

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

Economic Factors and the 2018 Budget

The real estate tax rate for 2018 remained at 2.43 mills.

The County's 2018 actuarially determined contribution to the Retirement Fund is $3,480,100, a decrease of $934,589 from 2017. The decrease is largely due to the closure of the Washington County Health Center and fund performance.

The $156 million consolidated budget for 2018 represents a roughly 12.09% decrease from 2017. The decrease is largely due to the elimination of the proprietary funds.

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, 2017

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	$ 85,459,486	$ 399,691	$ 85,859,177
Receivables:			
Taxes receivable, net of allowance	1,806,305	-	1,806,305
Internal balances	367,940	(367,940)	-
Due from other governments	12,060,793	-	12,060,793
Interest and other	4,402,453	-	4,402,453
Loans receivable	96,956	-	96,956
Prepaid assets and other	718,075	-	718,075
Capital assets not being depreciated	8,250,939	-	8,250,939
Capital assets, net of accumulated depreciation	74,347,487	-	74,347,487
Total Assets	187,510,434	31,751	187,542,185
Deferred Outflows of Resources			
Related to pensions	9,046,156	-	9,046,156
Deferred charge on refunding	983,708	-	983,708
Total Deferred Outflows of Resources	10,029,864	-	10,029,864
Liabilities			
Accounts payable	13,061,892	31,751	13,093,643
Accrued payroll and other expenses	1,984,546	-	1,984,546
Accrued interest payable	396,937	-	396,937
Unearned revenue	1,286,896	-	1,286,896
Net other post-employment benefits obligation	10,047,211	-	10,047,211
Net pension liability	4,912,951	-	4,912,951
Bonds payable:			
Amount due within one year	1,209,817	-	1,209,817
Amount due in more than one year	44,533,876	-	44,533,876
Net discount on bonds	(143,496)	-	(143,496)
Net bonds payable	45,600,197	-	45,600,197
Total Liabilities	77,290,630	31,751	77,322,381
Deferred Inflows of Resources			
Related to pensions	9,183,096	-	9,183,096
Net Position			
Net investment in capital assets	38,053,002	-	38,053,002
Restricted for:			
Debt service	944,029	-	944,029
Domestic relations	320,599	-	320,599
Liquid fuels	1,396,444	-	1,396,444
Emergency communication	1,372,481	-	1,372,481
Unrestricted	68,980,017	-	68,980,017
Total Net Position	$ 111,066,572	$ -	$ 111,066,572

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

COUNTY OF WASHINGTON, PENNSYLVANIA

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2017

		Program Revenues			Net (Expense) Revenue and Change in Net Position		
					Primary Government		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental activities:							
General government - administration	$ 26,535,981	$ 3,693,181	$ 512,347	$ 2,187,030	$ (20,143,423)	$ -	$ (20,143,423)
General government - judicial	18,551,638	5,011,227	2,195,181	80,223	(11,265,007)	-	(11,265,007)
Public safety	24,422,780	1,137,122	5,229,884	-	(18,055,774)	-	(18,055,774)
Public works and enterprises	2,342,556	342	-	3,319,342	977,128	-	977,128
Human services	51,979,742	1,427,401	49,515,078	-	(1,037,263)	-	(1,037,263)
Culture and recreation	531,636	74,641	160,000	-	(296,995)	-	(296,995)
Conservation and development	315,622	-	-	750	(314,872)	-	(314,872)
Interest and amortization	2,466,493	-	-	-	(2,466,493)	-	(2,466,493)
Total governmental activities	127,146,448	11,343,914	57,612,490	5,587,345	(52,602,699)	-	(52,602,699)
Business-type activities:							
Washington County Health Center	22,433,648	17,976,989	-	-	-	(4,456,659)	(4,456,659)
Health Choices	48,550	72	-	-	-	(48,478)	(48,478)
Total business-type activities	22,482,198	17,977,061	-	-	-	(4,505,137)	(4,505,137)
Total Primary Government	$ 149,628,646	$ 29,320,975	$ 57,612,490	$ 5,587,345	(52,602,699)	(4,505,137)	(57,107,836)
General revenues:							
Taxes:							
Property taxes, levied for general purposes, net of uncollectibles					41,532,010	-	41,532,010
Hotel tax					1,564,756	-	1,564,756
Interest					575,788	7,361	583,149
Rents and royalties					5,548,299	-	5,548,299
ACT 13 Impact Fee					5,630,421	-	5,630,421
Payments in lieu of taxes					133,909	-	133,909
Miscellaneous					524,535	-	524,535
Transfers					25,220,169	(25,220,169)	-
Total general revenues and transfers					80,729,887	(25,212,808)	55,517,079
Special item - sale of health center					-	23,378,499	23,378,499
Change in Net Position					28,127,188	(6,339,446)	21,787,742
Net Position:							
Beginning of year					82,939,384	6,339,446	89,278,830
End of year					$ 111,066,572	$ -	$ 111,066,572

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

COUNTY OF WASHINGTON, PENNSYLVANIA

BALANCE SHEET - GOVERNMENTAL FUNDS

DECEMBER 31, 2017

	General	Human Services	Capital Expenditures	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	$ 36,413,093	$ 1,529,632	$ 42,162,312	$ 5,354,449	$ 85,459,486
Receivables:					
Taxes receivable, net of allowance	1,658,913	-	-	147,392	1,806,305
Due from other governments	8,616,775	977,394	29,950	2,436,674	12,060,793
Interest and other	2,580,825	8,105	1,677,214	136,309	4,402,453
Loans receivable	-	-	-	96,956	96,956
Total receivables	12,856,513	985,499	1,707,164	2,817,331	18,366,507
Due from other funds	814,116	-	13,442	32,199	859,757
Prepaids and other	456,804	-	28,491	232,780	718,075
Total Assets	$ 50,540,526	$ 2,515,131	$ 43,911,409	$ 8,436,759	$ 105,403,825
Liabilities, Deferred Inflows of Resources, and Fund Balance					
Liabilities:					
Accounts payable	$ 6,609,515	$ 2,275,181	$ 2,137,726	$ 2,039,470	$ 13,061,892
Accrued payroll and other expenditures	1,591,469	122,160	-	270,917	1,984,546
Unearned revenue	442,334	117,757	-	726,805	1,286,896
Due to other funds	34,942	33	119,890	336,952	491,817
Total Liabilities	8,678,260	2,515,131	2,257,616	3,374,144	16,825,151
Deferred Inflows of Resources:					
Unavailable revenue - loan repayment	-	-	-	96,956	96,956
Unavailable revenue - real estate taxes	1,587,664	-	-	102,896	1,690,560
Total Deferred Inflows of Resources	1,587,664	-	-	199,852	1,787,516
Fund Balance:					
Nonspendable:					
Prepaids and other	456,804	-	28,491	232,780	718,075
Restricted for:					
Debt service	-	-	-	944,029	944,029
Domestic relations	-	-	-	320,599	320,599
Liquid fuels	-	-	-	1,396,444	1,396,444
Emergency communication	-	-	-	1,372,481	1,372,481
Committed for:					
Capital projects	-	-	41,220,685	-	41,220,685
Hazardous materials	-	-	-	522,679	522,679
Airport operations	-	-	-	28,766	28,766
Assigned for:					
Encumbrances	144,153	-	404,617	44,985	593,755
Resources to be used for future purposes and/or projects	24,135,776	-	-	-	24,135,776
Unassigned	15,537,869	-	-	-	15,537,869
Total Fund Balance	40,274,602	-	41,653,793	4,862,763	86,791,158
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	$ 50,540,526	$ 2,515,131	$ 43,911,409	$ 8,436,759	$ 105,403,825

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, 2017

Total Fund Balance - Governmental Funds		$ 86,791,158
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 $154,661,687 and the accumulated depreciation is $72,063,261.		82,598,426
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.		1,690,560
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.		96,956
Governmental funds report the effect of premiums, discounts, and deferred charges on refunding when debt is first issued, whereas these amounts are capitalized and amortized in the statement of net position.		1,127,204
The actuarially accrued net pension liability and deferred outflows and inflows of resources for pensions are not recorded on the fund financial statements.		(5,049,891)
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	$ (45,743,693)	
Accrued interest on bonds	(396,937)	
Net post-employment benefits obligation	(10,047,211)	(56,187,841)
Total Net Position - Governmental Activities		$ 111,066,572

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, 2017

	General	Human Services	Capital Expenditures	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	$ 38,837,511	$ -	$ -	$ 2,647,364	$ 41,484,875
Intergovernmental	24,113,422	16,966,298	7,912,238	20,297,362	69,289,320
Charges for services	13,824,113	-	2,710,117	1,293,846	17,828,076
Fines and forfeits	194,491	-	-	-	194,491
Interest	181,354	10,131	341,241	43,287	576,013
Other	2,065,772	6,886	-	504,951	2,577,609
Total revenues	79,216,663	16,983,315	10,963,596	24,786,810	131,950,384
Expenditures:					
Current:					
General government - administration	12,654,129	-	-	-	12,654,129
General government - judicial	14,378,675	-	-	3,330,010	17,708,685
Public safety	18,696,968	-	-	4,121,039	22,818,007
Public works and enterprises	-	-	-	1,349,088	1,349,088
Human services	24,120,075	16,983,315	-	12,285,177	53,388,567
Culture and recreation	374,182	-	-	-	374,182
Conservation and development	333,144	-	-	-	333,144
Other	9,958,074	-	-	-	9,958,074
Debt service:					
Principal	-	-	-	8,975,000	8,975,000
Interest and fiscal charges	-	-	-	1,460,192	1,460,192
Bond issue costs	-	-	-	118,000	118,000
Capital projects	-	-	7,106,836	1,800,101	8,906,937
Total expenditures	80,515,247	16,983,315	7,106,836	33,438,607	138,044,005
Excess (Deficiency) of Revenues Over Expenditures	(1,298,584)	-	3,856,760	(8,651,797)	(6,093,621)
Other Financing Sources (Uses):					
Bonds issued	-		-	5,600,000	5,600,000
Bond discount	-	-	-	(22,303)	(22,303)
Sale of capital assets	14,186	-	-	-	14,186
Real estate refunds	(1,026,263)	-	-	-	(1,026,263)
Loan repayment	-	-	-	31,310	31,310
Transfer in from business-type activity	25,220,169	-	-	-	25,220,169
Transfers in	3,008,168	-	400,000	2,174,817	5,582,985
Transfers out	(5,385,883)	-	(184,477)	-	(5,570,360)
Total other financing sources (uses)	21,830,377	-	215,523	7,783,824	29,829,724
Net Change in Fund Balance	20,531,793	-	4,072,283	(867,973)	23,736,103
Fund Balance:					
Beginning of year	19,742,809	-	37,581,510	5,730,736	63,055,055
End of year	$ 40,274,602	$ -	$ 41,653,793	$ 4,862,763	$ 86,791,158

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, 2017

Net Change in Fund Balance - Governmental Funds		$ 23,736,103
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)	$ 8,324,104	
Less: Depreciation expense	(4,787,514)	3,536,590
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.		47,135
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.		(13,788)
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.		2,257,632
Liabilities incurred for post-employment benefits are not due and payable in the current period and, therefore, are not reported in the funds.		(1,334,497)
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.		(235,357)
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.		133,370
Change in Net Position of Governmental Activities		$ 28,127,188

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, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues:				
Taxes	$ 38,265,937	$ 38,265,937	$ 38,837,511	$ 571,574
Intergovernmental	27,558,702	27,558,702	24,113,422	(3,445,280)
Charges for services	14,065,515	14,065,515	13,824,113	(241,402)
Fines and forfeits	160,000	160,000	194,491	34,491
Interest	90,000	90,000	181,354	91,354
Other	2,232,303	2,232,303	2,065,772	(166,531)
Total revenues	82,372,457	82,372,457	79,216,663	(3,155,794)
Expenditures:				
Current:				
General government - administration	13,223,011	13,223,011	12,654,129	(568,882)
General government - judicial	14,380,368	15,171,868	14,378,675	(793,193)
Public safety	19,587,511	19,040,511	18,696,968	(343,543)
Human services	26,207,386	25,317,386	24,120,075	(1,197,311)
Culture and recreation	329,182	329,182	374,182	45,000
Conservation and development	343,144	343,144	333,144	(10,000)
Other	10,690,500	10,200,500	9,958,074	(242,426)
Total expenditures	84,761,102	83,625,602	80,515,247	(3,110,355)
Excess (Deficiency) of Revenues Over Expenditures	(2,388,645)	(1,253,145)	(1,298,584)	(45,439)
Other Financing Sources (Uses):				
Sale of capital assets	10,000	10,000	14,186	4,186
Real estate refunds	(180,000)	(950,000)	(1,026,263)	(76,263)
Transfers in	-	-	28,228,337	28,228,337
Transfers out	(4,900,000)	(5,265,000)	(5,385,883)	(120,883)
Total other financing sources (uses)	(5,070,000)	(6,205,000)	21,830,377	28,035,377
Net Change in Fund Balance	$ (7,458,645)	$ (7,458,145)	$ 20,531,793	$ 27,989,938

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, 2017

	Original and Final Budgeted Amounts	Actual Amounts	Variance
Revenues:			
Intergovernmental	$ 18,470,951	$ 16,966,298	$ (1,504,653)
Interest	5,771	10,131	4,360
Other	-	6,886	6,886
Total revenues	18,476,722	16,983,315	(1,493,407)
Expenditures:			
Human services	18,476,722	16,983,315	(1,493,407)
Excess (Deficiency) of Revenues Over Expenditures	$ -	$ -	$ -

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, 2017

	Business-type Activities - Enterprise Funds		
	Washington County Health Center	Health Choices	Total
Assets			
Current assets:			
Cash and cash equivalents	$ 399,691	$ -	$ 399,691
Total current assets	399,691	-	399,691
Total Assets	399,691	-	399,691
Liabilities			
Current liabilities:			
Accounts payable	31,751	-	31,751
Due to other funds	367,940	-	367,940
Total current liabilities	399,691	-	399,691
Total Liabilities	399,691	-	399,691
Net Position			
Net investment in capital assets	-	-	-
Restricted for:			
Health Choices	-	-	-
Unrestricted	-	-	-
Total Net Position	$ -	$ -	$ -

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, 2017

	Business-type Activities - Enterprise Funds		
	Washington County Health Center	Health Choices	Total
Operating Revenues:			
Charges for patient/client services	$ 17,976,989	$ 72	$ 17,977,061
Operating Expenses:			
Patient/client services	22,428,348	48,550	22,476,898
Operating Income (Loss)	(4,451,359)	(48,478)	(4,499,837)
Non-Operating Revenues (Expenses):			
Capital asset expenses	(5,300)	-	(5,300)
Interest income	7,099	262	7,361
Total non-operating revenues (expenses)	1,799	262	2,061
Income (Loss) Before Fund Transfers	(4,449,560)	(48,216)	(4,497,776)
Transfer out	(25,220,169)	-	(25,220,169)
Net fund transfers	(25,220,169)	-	(25,220,169)
Special Item - Sale of Health Center	23,378,499	-	23,378,499
Change in Net Position	(6,291,230)	(48,216)	(6,339,446)
Net Position:			
Beginning of year	6,291,230	48,216	6,339,446
End of year	$ -	$ -	$ -

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, 2017

	Business-type Activities - Enterprise Funds		
	Washington County Health Center	Health Choices	Total
Cash Flows From Operating Activities:			
Cash received from customers	$ 22,977,480	$ 294	$ 22,977,774
Cash payments for patient and client services	(28,559,348)	(57,738)	(28,617,086)
Net cash provided by (used in) operating activities	(5,581,868)	(57,444)	(5,639,312)
Cash Flows From Capital and Related Financing Activities:			
Sale of health center	29,891,841	-	29,891,841
Grant revenue	(91,292)	-	(91,292)
Net cash provided by (used in) capital and related financing activities	29,800,549	-	29,800,549
Cash Flows From Non-Capital Financing Activities:			
Transfers out	(25,220,169)	-	(25,220,169)
Cash Flows From Investing Activities:			
Interest received on investments	7,099	262	7,361
Net Increase (Decrease) in Cash and Cash Equivalents	(994,389)	(57,182)	(1,051,571)
Cash and Cash Equivalents:			
Beginning of year	1,394,080	57,182	1,451,262
End of year	$ 399,691	$ -	$ 399,691
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:			
Operating income (loss)	$ (4,451,359)	$ (48,478)	$ (4,499,837)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	-	-	-
Change in:			
Accounts receivable	1,316,475	38	1,316,513
Due from other governments	3,684,016	184	3,684,200
Other current assets	6,651	-	6,651
Accounts payable	(840,341)	(9,188)	(849,529)
Due to other funds	(504,333)	-	(504,333)
Net other post-employment benefits obligation	(3,865,666)	-	(3,865,666)
Accrued salaries/benefits	(927,311)	-	(927,311)
Net cash provided by (used in) operating activities	$ (5,581,868)	$ (57,444)	$ (5,639,312)

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, 2017

	Employees' Retirement Plan	OPEB Trust Fund	Agency Funds
Assets			
Cash and cash equivalents	$ 1,447,237	$ 9,336	$ 8,562,292
Investments (at fair value):			
U.S. government and related obligations	17,425,474	-	-
Common stock	23,331,209	-	-
Mutual funds - equity	51,036,202	12,422,199	-
Corporate debt	18,259,497	-	-
Exchange-traded funds	24,363,625	-	-
Mortgage and other asset-backed securities	3,414,897	-	-
Property trust fund	8,014,453	-	-
Collective trust fund	8,884,355	-	-
Private equity fund	10,500,372	-	-
Receivables:			
Accounts receivable	803,521	-	-
Interest	299,697	-	-
Total Assets	167,780,539	12,431,535	8,562,292
Liabilities			
Accounts payable	99,098	-	-
Due to other governments	-	-	2,276,297
Escrow liability	-	-	6,285,995
Total Liabilities	99,098	-	$ 8,562,292
Net Position			
Net Position Restricted for:			
Pension benefits	167,681,441	-	
OPEB	-	12,431,535	
Total Net Position	$ 167,681,441	$ 12,431,535	

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, 2017

	Employees' Retirement Plan	OPEB Trust Fund
Additions:		
Contributions:		
Employer	$ 4,414,689	$ -
Employee	3,643,400	-
Total contributions	8,058,089	-
Investment earnings (loss):		
Net increase in fair value of investments	18,175,617	1,344,201
Interest and dividends	3,882,626	340,894
Total investment earnings (loss)	22,058,243	1,685,095
Investment expense	(421,971)	-
Net investment earnings (loss)	21,636,272	1,685,095
Total additions	29,694,361	1,685,095
Deductions:		
Benefits	8,996,329	-
Refunds of contributions	3,879,286	-
Administrative expense	94,410	-
Total deductions	12,970,025	-
Change in Net Position	16,724,336	1,685,095
Net Position:		
Beginning of year	150,957,105	10,746,440
End of year	$ 167,681,441	$ 12,431,535

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

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 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 Washington County Authority (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. 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 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.

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.

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 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.

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 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. The County sold the Washington County Health Center during the year, see Note 11 for further information.

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:

<u>Special Revenue Funds</u>

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 operates under a cooperation agreement with the RDA to manage the day to day financial and operational affairs of the Washington County Airport.

- The *Behavioral Health and Developmental Services 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 *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.

- 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.

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 (Treasurer's Office, Recorder of Deeds, Register of Wills, Prothonotary, Clerk of Courts, Inmate 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.

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

Inventories, principally supplies, are accounted for as expenditures when purchased. The amount of inventory at December 31, 2017 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 inflows 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.

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 financial 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 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.

- 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 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 and Hazardous Materials Emergency Response 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. 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.

Q. Adoption of Accounting Pronouncements

The requirements of the following GASB Statements were adopted for the County's 2017 financial statements.

GASB Statement No. 73, *"Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB 68, and Amendments to Certain Provisions of GASB Statements 67 and 68,"* establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria (those not covered by Statements No. 67 and 68) and also clarifies certain provisions of Statements No. 67 and 68. Only certain provisions of this statement were effective in the current year, primarily those related to employers and governmental non-employer contributing entities for pension that are not within the scope of Statement No. 68. All applicable provisions were adopted with no significant impact to the financial statements.

GASB Statement No. 74, *"Financial Reporting for Postemployment Benefits Other Than Pension,"* improves the usefulness of information about postemployment benefits other than pensions (OPEB) included in the general-purpose external financial reports of OPEB plans. The disclosure requirements of this statement have been incorporated into these financial statements.

GASB Statement No. 80, *"Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14),"* clarifies the financial statement presentation requirements for the blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The provisions of this statement have been adopted and incorporated into these financial statements.

GASB Statement No. 81, *"Irrevocable Split-Interest Agreements,"* improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The provisions of this statement have been adopted and incorporated into these financial statements.

GASB Statement No. 82, "*Pension Issues – An Amendment of GASB Statements No 67, No. 68, and No. 73)*," addresses issues regarding the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee contribution requirements. The provisions of this statement have been adopted and incorporated into these financial statements.

R. <u>Pending Pronouncements</u>

GASB has issued statements that will become effective in future years including Statement Nos. 75 (OPEB Employer), 82 (Pensions), 83 (Asset Retirement Obligations), 84 (Fiduciary Activities), 85 (Omnibus 2017), 86 (Certain Debt Extinguishment Issues), 87 (Leases), and 88 (Certain Debt Disclosures). 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 December 31, 2017, $9,026,692 of the County's $50,091,675 bank balance was insured by the Federal Deposit Insurance Corporation. The remaining bank balance of $41,064,983 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 $38,174,044 as of December 31, 2017 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. The Commonwealth of Pennsylvania provides external regulatory oversight for the external investment pool. The County can withdraw funds from 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, 2017, the bank balances of the investments in PLGIT, INVEST, and BlackRock are $42,255,574, $205,009 and $5,214,909 respectively. The carrying value of the investments in PLGIT, INVEST, and BlackRock are $42,255,574, $205,017, and $5,214,909, respectively. These are considered to be cash equivalents for presentation on the statement of net position and governmental funds balance sheet.

In addition, included in cash and cash equivalents, the County has money market investments with a carrying amount of $9,633, which are invested in short-term U.S. treasury instruments and government agencies. The bank balance of the investments in money market funds is $9,633, which is not exposed to custodial credit risk.

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, 2017, 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 BlackRock have an average maturity of less than one year.

<u>Agency Funds</u>

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 $67,789,629 and $67,031,098, respectively, for the year December 31, 2017. The carrying amount of deposits for the row offices and other County offices was $8,562,292 and the bank balance was $9,186,381. Of the bank balance, $251,273 was covered by federal depository insurance. The remaining balance of $8,935,108 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.

As of December 31, 2017, the County had the following cash equivalents and investments in its Plan:

		Investment Maturities from December 31, 2017				
Cash or Investment Type	**Carrying Value**	Less than 1 year	1-5 Years	6-10 Years	11-15 Years	16 or more Years
U.S. government and related obligations	$ 17,425,474	$ 646,919	$ 12,468,013	$ 3,434,004	$ -	$ 876,538
Corporate debt	18,259,497	1,507,257	8,629,307	7,938,903	184,030	-
Mortgage and other asset-backed securities	3,414,897	311,445	2,070,473	192,466	193,587	646,926
Total debt securities	39,099,868	$ 2,465,621	$ 23,167,793	$ 11,565,373	$ 377,617	$ 1,523,464
Cash and cash equivalents	1,447,237					
Common stock	23,331,209					
Mutual funds - equity	51,036,202					
Exchange traded funds	24,363,625					
Property trusts	8,014,453					
Collective trusts	8,884,355					
Private equity fund	10,500,372					
Total cash and investments reported on statement of plan net position	$ 166,677,321					

The Plan had the following recurring fair value measurements at December 31, 2017:

		Fair Value Measurements		
Investments by Fair Value Level and NAV	**Total**	Level 1	Level 2	Level 3
Debt securities:				
U.S. government securities	$ 17,425,474	$ 646,919	$ 16,778,555	$ -
Corporate debt obligations	18,259,497	1,507,257	16,752,240	-
Mortgage and other asset-backed securities	3,414,897	311,445	3,103,452	-
Total debt securities	39,099,868	2,465,621	36,634,247	-
Mutual funds - equity	51,036,202	51,036,202	-	-
Exchange-traded funds	24,363,625	24,363,625	-	-
Common stock:				
Consumer discretionary	2,913,957	2,913,957	-	-
Consumer staples	2,083,788	2,083,788	-	-
Energy	1,102,807	1,102,807	-	-
Financial	3,174,421	3,174,421	-	-
Health care	3,184,847	3,184,847	-	-
Industrials	3,353,659	3,353,659	-	-
Information technology	4,530,788	4,530,788	-	-
Materials	917,669	917,669	-	-
Real estate	225,352	225,352	-	-
Utilities	1,094,112	1,094,112	-	-
Telecommunication services	693,413	693,413	-	-
Unclassified	56,396	56,396	-	-
Total common stock	23,331,209	23,331,209	-	-
Total Investments by Fair Value Level	137,830,904	$ 101,196,657	$ 36,634,247	-
Investments measured at NAV:				
Property trusts	8,014,453			
Collective trust funds	8,884,355			
Private equity fund	10,500,372			
Total Investments measured at NAV	27,399,180			
Total investments measured at fair value	$ 165,230,084			

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 $1,447,237 is reported at amortized cost, which approximates market.

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." 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.

December 31, 2017	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Property trust fund	$ 8,014,453	n/a	Daily	30 days
Collective trust fund	8,884,355	n/a	Daily	30 days
Private equity fund	10,500,372	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, 2017, the Plan investments in fixed income bonds have received the following ratings from Moody's:

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

Moody's Rating	Market Value	Percentage of Total Pension Trust Fund Debt Securities
Aaa	$ 16,227,787	41.5%
Aa1	213,353	0.5%
Aa2	1,254,150	3.2%
Aa3	806,091	2.1%
Unrated	20,598,487	52.7%
	$ 39,099,868	100%

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, 2017, the Plan investment balance, excluding mutual funds of $51,036,202 (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, 2017, the Plan had investments in Dodge and Cox International, American New Perspective, MFS Global Total Return Fund, and Vanguard Total International Stock Index Admiral that were approximately 8%, 7%, 10%, and 5%, 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.

As of December 31, 2017, the County had the following cash, cash equivalents, and investments in its OPEB Funds:

Cash or Investment Type	Fair Value
Cash and cash equivalents	$ 9,336
Mutual funds - equity	12,422,199
Total cash and investments reported on statement of net position - fiduciary funds	$ 12,431,535

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, 2017:

		Fair Value Measurements		
Investments by Fair Value Level	**Total**	Level 1	Level 2	Level 3
Mutual funds - equity	$ 12,422,199	$ 12,422,199	$ -	$ -
Total Investments by Fair Value Level	$ 12,422,199	$ 12,422,199	$ -	$ -

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. At December 31, 2017, the Plan had investments in Artisan Global, Dodge & Cox Global, Eaton Vance-Atlanta, Federated FD, Fidelity Spartan, Hartford Schroders International, Lord Abbett, MFS Low Volatility, Vanguard Total International, Vanguard Mid Cap Value, and Vanguard 500 that were approximately 8%, 8%, 5%, 7%, 14%, 6%, 8%, 8%, 8%, 5%, and 22%, respectively.

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.

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 the Washington County Health Center–Proprietary relates to sale of the Health Center.

Individual funds receivable and payable balances at year-end and transfers at December 31, 2017 were as follows:

Fund	Interfund Receivables	Interfund Payables
Major Funds:		
General	$ 814,116	$ 34,942
Human Services	-	33
Capital Expenditures	13,442	119,890
Washington County Health Center	-	367,940
Other governmental funds	32,199	336,952
	$ 859,757	$ 859,757

Fund	Transfer In	Transfer Out
Major Funds:		
General	$ 28,228,337	$ 5,385,883
Capital Expenditures	400,000	184,477
Washington County Health Center	2,995,543	28,215,712
Other governmental funds	2,174,817	-
Fiduciary Funds	-	12,625
	$ 33,798,697	$ 33,798,697

4. Capital Assets

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

	Balance at January 1, 2017	Increases	Decreases	Balance at December 31, 2017
Governmental Activities:				
Capital assets, not being depreciated:				
Land	$ 480,000	$ -	$ -	$ 480,000
Construction in progress	4,790,252	3,264,090	(283,403)	7,770,939
Total capital assets, not being depreciated	5,270,252	3,264,090	(283,403)	8,250,939
Capital assets, being depreciated:				
Land improvements	23,773,432	1,230,682	-	25,004,114
Buildings and improvements	51,034,264	105,092	-	51,139,356
Infrastructure	34,993,988	2,484,633	-	37,478,621
Furniture and equipment	31,496,526	1,537,711	(245,580)	32,788,657
Total capital assets, being depreciated	141,298,210	5,358,118	(245,580)	146,410,748
Less accumulated depreciation for:				
Land improvements	(8,676,088)	(1,044,854)	-	(9,720,942)
Buildings and improvements	(27,213,050)	(1,376,592)	-	(28,589,642)
Infrastructure	(8,665,874)	(673,741)	-	(9,339,615)
Furniture and equipment	(22,951,614)	(1,692,327)	230,879	(24,413,062)
Total accumulated depreciation	(67,506,626)	(4,787,514)	230,879	(72,063,261)
Capital assets being depreciated, net	73,791,584	570,604	(14,701)	74,347,487
Governmental activities capital assets, net	$ 79,061,836	$ 3,834,694	$ (298,104)	$ 82,598,426

		Balance at January 1, 2017		Increases		Decreases		Balance at December 31, 2017
Business-Type Activities:								
Capital assets, being depreciated:								
Buildings and improvements	$	15,959,069	$	-	$	(15,959,069)	$	-
Furniture and equipment		4,892,405		-		(4,892,405)		-
Total capital assets, being depreciated		20,851,474		-		(20,851,474)		-
Less accumulated depreciation for:								
Buildings and improvements		(9,644,575)		-		9,644,575		-
Furniture and equipment		(4,688,257)		-		4,688,257		-
Total accumulated depreciation		(14,332,832)		-		14,332,832		-
Capital assets being depreciated, net		6,518,642		-		(6,518,642)		-
Business-type activities capital assets, net	$	6,518,642	$	-	$	(6,518,642)	$	-

The Health Center was sold during the year, see Note 11 for additional information.

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

Governmental Activities:		
General government - administration	$	1,696,729
General government - judicial		518,202
Public safety		1,258,234
Public works and enterprises		977,664
Human services		179,231
Culture and recreation		157,454
Total depreciation expense - governmental activities	$	4,787,514

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, 2017, Plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	804
Inactive plan members entitled to but not yet receiving benefits	144
Active plan members	747
Total plan members	1,695

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 Plan. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. The net pension liability is recorded as a governmental activity expected to be paid from the General Fund and special revenue funds.

Benefits Provided

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

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. 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 1/12 of the participant's final average salary 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.

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.

Cost-of-Living Adjustments – Cost-of-living adjustments shall be reviewed at least once every three years by the Retirement Board. The last cost-of-living adjustment was on January 1, 1998.

Contributions and Funding Policy

The Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as a percentage of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due. Level percentage of payroll employer contribution rates is determined using the entry age actuarial funding method and the same actuarial assumptions used to calculate the pension benefit calculation.

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 $4,414,689.

Changes in the Net Pension Liability

The changes in the net pension liability of the County for the year ended December 31, 2017 were as follows:

	Increases / Decreases		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2016	$ 168,196,084	$ 150,957,105	$ 17,238,979
Changes for the year:			
Service cost	5,633,217	-	5,633,217
Interest	11,598,318	-	11,598,318
Changes of benefit terms	-	-	-
Differences between expected and actual	42,389	-	42,389
Changes of assumptions	-	-	-
Contributions - employer	-	4,414,689	(4,414,689)
Contributions - employee	-	3,643,400	(3,643,400)
Net investment income	-	21,719,875	(21,719,875)
Benefit payments, including refunds	(12,875,616)	(12,875,616)	-
Administrative expense	-	(80,949)	80,949
Other changes	-	(97,063)	97,063
Net changes	4,398,308	16,724,336	(12,326,028)
Balances at December 31, 2017	$ 172,594,392	$ 167,681,441	$ 4,912,951
Plan fiduciary net position as a percentage of the total pension liability			97.15%

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation performed on January 1, 2017, and rolled forward to December 31, 2017, 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 2017 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 2017; 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.

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, 2017:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	41-51%	5.4-6.4%
International equity	16-26%	5.5-6.5%
Fixed income	21-31%	1.3-3.3%
Real estate	0-18%	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, 2017, the annual money-weighted rate of return on the Plan investments, net of investment expense, was 14.59 %.

Concentrations –The Plan had investments in Dodge and Cox International, American New Perspective, and Vanguard Total International Stock Index Admiral that were approximately 8%, 7%, and 5%, respectively, of the Plan's fiduciary net position at December 31, 2017.

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:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Net Pension Liability (Asset)	$ 23,683,326	$ 4,912,951	$ (11,381,157)

Pension Expense and Deferred Outflow of Resources Related to Pensions

For the year ended December 31, 2017, the County recognized pension expense of approximately $236,000. At December 31, 2017, 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	$ 3,284,839	$ -
Net difference between projected and actual earnings on pension plan investments	4,557,324	9,183,096
Differences between expected and actual experience	1,203,993	
Total deferred outflows of resources	$ 9,046,156	$ 9,183,096

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

Year ending December 31,	
2018	$ 1,282,351
2019	1,282,353
2020	(996,310)
2021	(1,705,334)
Total	$ (136,940)

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 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. Employees hired on or after April 1, 2004 are not eligible to participate in the Plan.

At January 1, 2017, plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	515
Active employees	302
Total membership	817

Contributions

OPEB plan contribution rates are established through the budget process, may be changed by budget amendments and are approved by the County's Board of Commissioners. The Plan does not require contributions from Plan members.

Net OPEB Liability – GASB Statement No. 74 Disclosure

The components of the net OPEB liability at December 31, 2017 was as follows:

Total OPEB liability	$ 67,946,497
Plan fiduciary net position	12,431,535
Net OPEB liability	$ 55,514,962
Plan fiduciary net position as a percentage of the total OPEB liability	18.30%

The net OPEB liability (asset) as computed under GASB Statement No. 74 and GASB Statement No. 75 will be reflected in County's financial statements for the year ended December 31, 2018, when GASB Statement No. 75 is adopted.

Actuarial assumptions - The total OPEB liability was determined by an actuarial valuation as of January 1, 2017 rolled forward to December 31, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial assumptions:	
Investment rate of return	7.00%
Salary increases	4.50%
Inflation	3.00%
Health care cost trends	5.9% decreasing to an ultimate rate of 3.9% by 2075

Long-Term Expected Rate of Return - The long-term expected rate of return on OPEB 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. Best estimates of arithmetic real rates of return for each major class included in the target asset allocation for the 2017 measurement period are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	39-49%	5.4-6.4%
International equity	16-26%	5.5-6.5%
Fixed income	21-31%	1.3-3.3%
Real estate	0-18%	4.5-5.5%
Cash	0-5%	0.0-1.0%

Discount Rate - The discount rate used to measure the total OPEB liability was 7.0% percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that County contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability (i.e. no depletion date is projected to occur).

Rate of Return - For the year ended December 31, 2017, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 16.08%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rate - The following presents the net OPEB liability of the County, as well as what County's net OPEB liability would be if it were calculated using a discount rate and healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease 6.00%	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net OPEB Liability	$ 63,537,793	$ 55,514,962	$ 48,790,706

	Healthcare Cost Trend Rates		
	1% Decrease	Current	1% Increase
Net OPEB Liability	$ 47,349,694	$ 55,514,962	$ 65,373,441

Additional Employer Disclosures Required by GASB Statement No. 45

Funding Policy. The County's contribution is based on the budget. The plan does not require any contributions from plan members. For fiscal year 2017, total cash disbursements for other post-retirement benefit for current retirees or their dependents totaled $3,629,343.

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.

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	$	5,160,327
Interest on net OPEB obligation		876,001
Adjustment to annual required contribution		(1,008,404)
Annual OPEB cost		5,027,924
Benefits paid		(3,629,343)
Adjustment related to the sale of health center		(3,865,666)
Increase (decrease) in net OPEB obligation		(2,467,085)
Net OPEB obligation (asset), beginning of year		12,514,296
Net OPEB obligation (asset), end of year	$	10,047,211

The County's annual OPEB cost, the percentage of annual OPEB cost contributed, and the net OPEB obligation were as follows:

Year Ending	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation (Asset)
December 31, 2017	$ 5,027,924	72%	$ 10,047,211
December 31, 2016	4,712,278	66%	12,514,296
December 31, 2015	4,694,120	106%	10,919,339

The ARC for the current year was computed as of January 1, 2017 using the following actuarial assumptions:

- actuarial cost method – Projected Unit Credit;
- actuarial value of assets – fair value;
- amortization method – level dollar, open;
- amortization period – 30 years;
- interest rate – 7.00%;
- retirement – assumed retirement rates are based upon PSERS plan experience and vary by age, service, and gender;
- mortality – separate rates are assumed preretirement and postretirement using rates assumed in the PSERS defined benefit pension plan actuarial valuation;
- salary increase – N/A
- health care cost trend rates – 5.9% initial, decreasing to 3.9%;

Funded Status

The schedule of funding progress as of the latest actuarial valuation date, January 1, 2017, 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)
$ 10,743,663	$ 63,358,112	$ 52,614,449	17.0%	$ 49,393,202	106.5%

The schedule of funding progress in the required supplementary information 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.

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 for 2017 was $1,709,182,080.

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, 2017, 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, 2017 was 1.25 mills per $1,000.

Taxes for 2017 were billed in January 2017 and were due on the following schedule: at two percent discount if paid by March 31, 2017; at face value if paid between April 1, 2017 and June 30, 2017; and at 10 percent penalty if paid between July 1, 2017 and January 15, 2018. The County placed liens on all property for which the 2017 tax was not paid by January 15, 2018.

Taxes receivable are reflected on the statement of net position of $1,806,305, which is net of an allowance for doubtful accounts of $602,088.

8. Long-Term Debt

The following is a summary of changes in long-term obligations of the County for the year ended December 31, 2017:

	Balance at December 31, 2016	Additions and Accretion	Refundings	Payments	Balance at December 31, 2017	Due within one year
Governmental Activities:						
Guaranteed Lease Revenue Bonds, Series of 1992	$ 4,166,028	$ 875,618	$ -	$ 1,390,000	$ 3,651,646	$ 239,817
General Obligation Bonds, Series of 2007A	10,092,749	159,298	6,710,000	-	3,542,047	-
General Obligation Bonds, Series of 2012B	18,685,000	-	-	265,000	18,420,000	270,000
General Obligation Bonds, Series of 2013	6,850,000	-	-	605,000	6,245,000	615,000
General Obligation Bonds, Series of 2016	8,290,000	-	-	5,000	8,285,000	5,000
General Obligation Bonds, Series of 2017	-	5,600,000	-	-	5,600,000	80,000
Total Long-Term Debt	$ 48,083,777	$ 6,634,916	$ 6,710,000	$ 2,265,000	$ 45,743,693	$ 1,209,817

General obligation debt payable at December 31, 2017 is composed of the following individual issues:

<u>Guaranteed Lease Revenue Bonds, Series of 1992</u>

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. 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 $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, 2017, the total maturity value of the Capital Appreciation Bonds is $4,170,000.

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, 2017 totaled $9,633 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 consists 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.

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.

During 2017, $6,710,000 of General Obligation Bonds, Series A of 2007 was advanced refunded with the General Obligation Bonds, Series of 2017.

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.

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. 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 of September 1, 2030.

General Obligation Bonds, Series of 2017

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 2017 refunding was completed to reduce the County's debt service payments over the next 10 years by approximately $3,077,397 and to obtain an economic gain (difference between present values of old and new debt service payments) of approximately $2,408,000

Annual debt service requirements are as follows:

	Governmental Activities	
Years	Principal	Interest
2018	$ 2,360,000	$ 1,190,810
2019	2,625,000	1,166,285
2020	2,655,000	1,137,144
2021	2,685,000	1,106,545
2022	2,785,000	1,008,725
2023-2027	15,300,000	3,654,965
2028-2032	12,260,220	6,063,302
2033	4,265,000	145,000
	44,935,220	15,472,776
Accreted interest	808,743	(808,743)
	$ 45,743,963	$ 14,664,033

At December 31, 2017, the County has $3,105,000 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, 2017. The County has an outstanding claim with a balance of $696,970 included in accounts payable on the statement of net position at December 31, 2017.

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 $159,880 was paid to Tyler Technologies, Inc. in 2017. 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. Those who choose to appeal the appeals board's decision must make their appeal before special appeals masters appointed by the courts. The bulk of these appeals were heard during 2017 with a handful of appeals remaining at the time of the issuance of this report.

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

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 intent with a purchase price of $26.8 million. The transfer of operations occurred on October 19, 2017, and the transfer of the real estate occurred on December 1, 2017. After all adjustments, including the purchase of accounts receivable, the County received $27.8 million in proceeds from the sale.

As a result of the transfer, the County recognized a gain of $23.4 million on the disposal of its Health Center operations as a special item on the Statement of Activities and the Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds. Special items are significant transactions or other events that are either unusual in nature or infrequent in occurrence and are within the control of management. The County's 2017 expense related to its Health Center operations totaled approximately $22.4 million. 2017 revenues associated with the County's Health Center operations totaled approximately $18.0 million.

12. Child Care Information Services (CCIS)

In 2017, the Pennsylvania Department of Human Services (DHS) restructured the Commonwealth of Pennsylvania's service area as it pertained to the Pennsylvania DHS' funded services. In June 2017, the Pennsylvania DHS' Division of Procurement and Contract Management issued Request for Proposal (RFP) 30-16. This required the County to submit a proposal to retain the County's Child Care Information Services (CCIS) department and associated funding as well as provide for the absorption of mirror services in Westmoreland, Fayette, and Greene Counties. The County submitted its proposal on August 23, 2017. The County was notified in October 2017 that Westmoreland Child Care Information, Inc. was awarded the proposal for the County's service area. In December 2017, a debriefing conference call took place between the County officials and representatives from the Pennsylvania DHS. During the call, the County was informed that while the County ranked first in the technical submission, the County ranked third in overall cost. Subsequently, the County filed two bid protests with the Commonwealth of Pennsylvania; however, the County was not successful. As a result, CCIS will cease providing services effective June 30, 2018. The Commonwealth of Pennsylvania has provided for three existing CCIS staff to remain on-site through August 31, 2018 to complete the transition. Expenditures and revenues of the CCIS operations reported in the human service fund were $11.9 million and $11.8. million for the year ended December 31, 2017, respectively.

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
(Dollar Amounts in Thousands)

	2017	2016	2015	2014
Total Pension Liability:				
Service cost	$ 5,633,217	$ 5,731,291	$ 1,887,140	$ 1,647,078
Interest	11,598,318	11,189,569	10,740,724	10,073,103
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	42,389	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	(12,875,616)	(9,296,214)	(7,875,166)	(7,439,450)
Other	-	(770,297)	-	-
Net Changes in Total Pension Liability	4,398,308	8,132,776	14,874,390	8,875,476
Total Pension Liability - Beginning	168,196,084	160,063,308	145,188,918	136,313,442
Total Pension Liability - Ending (a)	$ 172,594,392	$ 168,196,084	$ 160,063,308	$ 145,188,918
Plan Fiduciary Net Position:				
Contributions - employer	$ 4,414,689	$ 4,610,598	$ 4,330,962	$ 3,799,410
Contributions - member	3,643,400	3,701,893	3,637,788	3,440,897
Net investment income	21,719,875	10,109,312	(1,380,494)	8,760,353
Benefit payments, including refunds of member contributions	(12,875,616)	(9,296,214)	(7,875,166)	(7,439,450)
Administrative expense	(80,949)	(87,797)	(79,148)	(97,514)
Other	(97,063)	(27,131)	279,905	-
Net Change in Plan Fiduciary Net Position	16,724,336	9,010,661	(1,086,153)	8,463,696
Plan Fiduciary Net Position - Beginning	150,957,105	141,946,444	143,032,597	134,568,901
Plan Fiduciary Net Position - Ending (b)	$ 167,681,441	$ 150,957,105	$ 141,946,444	$ 143,032,597
Net Pension Liability - Ending (a-b)	$ 4,912,951	$ 17,238,979	$ 18,116,864	$ 2,156,321
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	97.15%	89.75%	88.68%	98.51%
Covered Payroll	$ 49,393,202	$ 49,478,948	$ 46,821,026	$ 45,478,161
Net Pension Liability as a Percentage of Covered Payroll	9.95%	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 PENSION PLAN CONTRIBUTIONS
AND INVESTMENT RETURNS

YEARS ENDED DECEMBER 31

	2017	2016	2015	2014
Schedule of Contributions				
Actuarially determined contribution	$ 4,414,689	$ 4,610,598	$ 4,330,962	$ 3,799,410
Contributions in relation to the actuarially determined contribution	4,414,689	4,610,598	4,330,962	3,799,410
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 49,393,202	$ 49,478,948	$ 46,821,026	$ 45,478,161
Contributions as a percentage of covered payroll	8.94%	9.32%	9.25%	8.35%
Investment Returns				
Annual money-weighted rate of return, net of investment expense	14.59%	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 CHANGES IN THE
NET OPEB LIABILITY AND RELATED RATIOS

Last 10 Fiscal Years*

		2017
Total OPEB Liability		
Service cost	$	367,971
Interest		4,539,742
Benefit payments		(3,629,343)
Net change in total OPEB liability		1,278,370
Total OPEB liability - beginning		66,668,127
Total OPEB liability - ending	$	67,946,497
Plan Fiduciary Net Position		
Contributions - employer	$	3,629,343
Net investment income		1,691,802
Benefit payments		(3,629,343)
Administrative expense		(3,930)
Net change in plan fiduciary net position		1,687,872
Plan fiduciary net position - beginning		10,743,663
Plan fiduciary net position - ending	$	12,431,535
Net OPEB liability (asset)	$	55,514,962
Plan fiduciary net postion as a percentage of the total OPEB liability		18.30%
Covered-employee payroll	$	49,393,202
Net OPEB liability as a percentage of covered-employee payroll		112.39%

* This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, The County is presenting information for those years only for which information is available.

See accompanying notes to required supplementary information

COUNTY OF WASHINGTON, PENNSYLVANIA

SCHEDULE OF OPEB PLAN CONTRIBUTIONS AND INVESTMENT RETURNS

Last 10 Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Schedule of Contributions										
Actuarially determined contribution	$ 5,160,327	$ 4,827,806	$ 4,812,575	$ 5,769,742	$ 5,406,704	$ 5,406,704	$ 4,544,738	$ 4,544,738	$ 4,596,579	$ 4,596,579
Contributions in relation to the actuarially determined contribution	3,629,343	3,117,321	4,970,644	5,150,421	2,875,381	2,707,950	7,108,129	2,215,822	1,678,360	1,413,658
Contribution deficiency (excess)	$ 1,530,984	$ 1,710,485	$ (158,069)	$ 619,321	$ 2,531,323	$ 2,698,754	$ (2,563,391)	$ 2,328,916	$ 2,918,219	$ 3,182,921
Covered-employee payroll	$ 49,393,202	$ 49,478,948	$ 46,821,026	$ 45,478,161	$ 43,872,991	$ 42,103,161	$ 40,421,525	$ 40,609,970	$ 40,348,624	$ 38,272,892
Contributions as a percentage of covered-employee payroll	7.35%	6.30%	10.62%	11.33%	6.55%	6.43%	17.59%	5.46%	4.16%	3.69%
Investment Returns										
Annual money-weighted rate of return, net of investment expense	16.08%	*	*	*	*	*	*	*	*	*

* This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the County is presenting information for those years only for which information is available.

See accompanying notes to required supplementary information

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)
1/1/2017	$ 10,743,663	$ 63,358,112	$ 52,614,449	17.0%	$ 49,393,202	106.5%
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%

See accompanying notes to required supplementary schedules.

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	1/1/2017
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar
Asset valuation method	Fair Value
Remaining amortization period	18 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, 2017 valuation.

No changes noted for the January 1, 2016 valuation.

Based upon the actuarial valuation performed as of January 1, 2015, the investment rate of return was lowered from 7.50% to 7.00% to add a degree of conservatism to the assumptions. The effect of this change is an increase in the actuarial accrued liability of $6,100,414 and a corresponding increase in the actuarially determined contribution of $669,793.

In 2014, amounts reported as changes of assumptions resulted primarily from adjustments to assumed life expectancies as a result of adopting the RP-2013 Annuitant and Non-Annuitant Mortality Tables for purposes of developing mortality rates. In prior years, those assumptions were based on the 1983 Group Annuity Mortality Table.

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:

Actuarial Data:

Valuation date:	1/1/2017
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, 2017

	Special Revenue Funds							Capital Projects Funds	Debt Service Fund	
	Airport Operating	Behavioral Health and Developmental Services	Liquid Fuels	Hazardous Materials Emergency Response	Domestic Relations	Emergency Communication 911	Total	Airport Capital Projects	Debt Service	Total Other Governmental Funds
Assets										
Cash and cash equivalents	$ 27,411	$ 1,234,137	$ 1,546,776	$ 472,916	$ 128,125	$ 534,028	$ 3,943,393	$ 443,211	$ 967,845	$ 5,354,449
Taxes receivable, net of allowance	-	-	-	-	-	-	-	-	147,392	147,392
Due from other governments	-	273,244	197,650	58,057	485,482	1,023,853	2,038,286	395,081	3,307	2,436,674
Interest and other	4,518	200	-	1,583	129,567	150	136,018	291	-	136,309
Loan receivable	-	-	-	-	-	-	-	-	96,956	96,956
Due from other funds	-	-	-	-	1,598	28,536	30,134	2,065	-	32,199
Prepaids and other	-	-	-	1,500	324	230,956	232,780	-	-	232,780
Total Assets	$ 31,929	$ 1,507,581	$ 1,744,426	$ 534,056	$ 745,096	$ 1,817,523	$ 6,380,611	$ 840,648	$ 1,215,500	$ 8,436,759
Liabilities, Deferred Inflows of Resources, and Fund Balance										
Liabilities:										
Accounts payable	$ 3,163	$ 1,155,970	$ 313,743	$ 3,220	$ 20,090	$ 52,315	$ 1,548,501	$ 490,964	$ 5	$ 2,039,470
Accrued payroll and other expenses	-	26,525	20,984	918	99,378	123,112	270,917	-	-	270,917
Unearned revenue	-	324,415	-	-	-	-	324,415	330,776	71,614	726,805
Due to other funds	-	671	2,898	5,315	301,374	7,786	318,044	18,908	-	336,952
Total Liabilities	3,163	1,507,581	337,625	9,453	420,842	183,213	2,461,877	840,648	71,619	3,374,144
Deferred Inflows of Resources:										
Unavailable revenue - loan repayment	-	-	-	-	-	-	-	-	96,956	96,956
Unavailable revenue - real estate taxes	-	-	-	-	-	-	-	-	102,896	102,896
Total Deferred Inflows of Resources	-	-	-	-	-	-	-	-	199,852	199,852
Fund Balance:										
Nonspendable:										
Inventories and prepaids	-	-	-	1,500	324	230,956	232,780	-	-	232,780
Restricted for:										
Debt service	-	-	-	-	-	-	-	-	944,029	944,029
Domestic relations	-	-	-	-	320,599	-	320,599	-	-	320,599
Liquid fuels	-	-	1,396,444	-	-	-	1,396,444	-	-	1,396,444
Emergency communication	-	-	-	-	-	1,372,481	1,372,481	-	-	1,372,481
Committed for:										
Hazardous materials	-	-	-	522,679	-	-	522,679	-	-	522,679
Airport operations	28,766	-	-	-	-	-	28,766	-	-	28,766
Assigned for:										
Encumbrances	-	-	10,357	424	3,331	30,873	44,985	-	-	44,985
Total Fund Balance	28,766	-	1,406,801	524,603	324,254	1,634,310	3,918,734	-	944,029	4,862,763
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	$ 31,929	$ 1,507,581	$ 1,744,426	$ 534,056	$ 745,096	$ 1,817,523	$ 6,380,611	$ 840,648	$ 1,215,500	$ 8,436,759

COUNTY OF WASHINGTON, PENNSYLVANIA

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

YEAR ENDED DECEMBER 31, 2017

	Special Revenue Funds							Capital Projects Fund	Debt Service Fund	
	Airport Operating	Behavioral Health and Developmental Services	Liquid Fuels	Hazardous Materials Emergency Response	Domestic Relations	Emergency Communication 911	Total	Airport Capital Projects	Debt Service	Total Other Governmental Funds
Revenues:										
Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,647,364	$ 2,647,364
Intergovernmental	-	10,767,139	1,370,938	60,177	2,105,199	4,243,808	18,547,261	1,750,101	-	20,297,362
Charges for services	-	1,091,086	-	95,152	87,079	20,529	1,293,846	-	-	1,293,846
Interest	-	15,200	5,125	2,623	-	3,008	25,956	-	17,331	43,287
Other	-	11,752	-	46,000	14,519	-	72,271	-	432,680	504,951
Total revenues	-	11,885,177	1,376,063	203,952	2,206,797	4,267,345	19,939,334	1,750,101	3,097,375	24,786,810
Expenditures:										
Current:										
General government - judicial	-	-	-	-	3,330,010	-	3,330,010	-	-	3,330,010
Public safety	-	-	-	197,786	-	3,923,253	4,121,039	-	-	4,121,039
Public works and enterprises	100,000	-	1,249,088	-	-	-	1,349,088	-	-	1,349,088
Human services	-	12,285,177	-	-	-	-	12,285,177	-	-	12,285,177
Debt service:										
Principal	-	-	-	-	-	-	-	-	8,975,000	8,975,000
Interest and fiscal charges	-	-	-	-	-	-	-	-	1,460,192	1,460,192
Bond issue costs	-	-	-	-	-	-	-	-	118,000	118,000
Capital projects	-	-	-	-	-	-	-	1,800,101	-	1,800,101
Total expenditures	100,000	12,285,177	1,249,088	197,786	3,330,010	3,923,253	21,085,314	1,800,101	10,553,192	33,438,607
Excess (Deficiency) of Revenues Over Expenditures	(100,000)	(400,000)	126,975	6,166	(1,123,213)	344,092	(1,145,980)	(50,000)	(7,455,817)	(8,651,797)
Other Financing Sources (Uses):										
Proceeds from bond issuance	-	-	-	-	-	-	-	-	5,600,000	5,600,000
Bond discount	-	-	-	-	-	-	-	-	(22,303)	(22,303)
Loan repayments	-	-	-	-	-	-	-	-	31,310	31,310
Transfers in	100,000	400,000	22,987	-	1,400,000	-	1,922,987	50,000	201,830	2,174,817
Total financing sources (uses)	100,000	400,000	22,987	-	1,400,000	-	1,922,987	50,000	5,810,837	7,783,824
Net Change in Fund Balance	-	-	149,962	6,166	276,787	344,092	777,007	-	(1,644,980)	(867,973)
Fund Balance:										
Beginning of year	28,766	-	1,256,839	518,437	47,467	1,290,218	3,141,727	-	2,589,009	5,730,736
End of year	$ 28,766	$ -	$ 1,406,801	$ 524,603	$ 324,254	$ 1,634,310	$ 3,918,734	$ -	$ 944,029	$ 4,862,763

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, 2017

	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	$ -	$ -	$ -

COUNTY OF WASHINGTON, PENNSYLVANIA

SPECIAL REVENUE FUND

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

YEAR ENDED DECEMBER 31, 2017

	Original and Final Budgeted Amounts	Actual Amounts	Variance
Revenues:			
Intergovernmental	$ 10,933,637	$ 10,767,139	$ (166,498)
Charges for services	840,334	1,091,086	250,752
Interest	12,700	15,200	2,500
Other	-	11,752	11,752
Total revenues	11,786,671	11,885,177	98,506
Expenditures:			
Human services	12,176,461	12,285,177	108,716
Excess (Deficiency) of Revenues Over Expenditures	(389,790)	(400,000)	(10,210)
Other Financing Sources (Uses):			
Transfer in	400,000	400,000	-
Net Change in Fund Balance	$ 10,210	$ -	$ (10,210)

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, 2017

	Original and Final Budgeted Amounts	Actual	Variance
Revenues:			
Intergovernmental	$ 2,013,764	$ 1,370,938	$ (642,826)
Interest	1,000	5,125	4,125
Total revenues	2,014,764	1,376,063	(638,701)
Expenditures:			
Public works and enterprises:			
Highways and bridges	2,026,240	1,249,088	(777,152)
Excess (Deficiency) of Revenues Over Expenditures	(11,476)	126,975	138,451
Other Financing Sources (Uses):			
Operating transfer in	-	22,987	22,987
Net Change in Fund Balance	$ (11,476)	$ 149,962	$ 161,438

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, 2017

	Budgeted Amounts		Actual	
	Original	Final	Amounts	Variance
Revenues:				
Intergovernmental	$ 65,747	$ 65,747	$ 60,177	$ (5,570)
Charges for services	104,875	104,875	95,152	(9,723)
Interest	632	632	2,623	1,991
Other	1,437	1,437	46,000	44,563
Total revenues	172,691	172,691	203,952	31,261
Expenditures:				
Public safety	127,581	202,581	197,786	(4,795)
Excess (Deficiency) of Revenues Over Expenditures	$ 45,110	$ (29,890)	$ 6,166	$ 36,056

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, 2017

	Original and Final Budgeted Amounts	Actual Amounts	Variance
Revenues:			
Intergovernmental	$ 2,592,000	$ 2,105,199	$ (486,801)
Charges for services	150,000	87,079	(62,921)
Other	26,000	14,519	(11,481)
Total revenues	2,768,000	2,206,797	(561,203)
Expenditures:			
General government - judicial	3,674,018	3,330,010	(344,008)
Excess (Deficiency) of Revenues Over Expenditures	(906,018)	(1,123,213)	(217,195)
Other Financing Sources (Uses):			
Transfer in	1,000,000	1,400,000	400,000
Net Change in Fund Balance	$ 93,982	$ 276,787	$ 182,805

COUNTY OF WASHINGTON, PENNSYLVANIA

FIDUCIARY FUNDS

ALL AGENCY FUNDS
COMBINING BALANCE SHEET

DECEMBER 31, 2017

	Treasurer	Recorder of Deeds	Register of Wills	Prothonotary	Clerk of Courts
Assets					
Cash and cash equivalents	$ 61,155	$ 1,733,258	$ 296,742	$ 1,912,000	$ 1,052,998
Liabilities					
Due to other governments	$ 61,155	$ 1,733,258	$ 296,742	$ -	$ -
Escrow liability	-	-	-	1,912,000	1,052,998
Total Liabilities	$ 61,155	$ 1,733,258	$ 296,742	$ 1,912,000	$ 1,052,998

	CYS Services	Tax Claim	Domestic Relations	Prison Commissary	Sheriff's Office	Total
Assets						
Cash and cash equivalents	$ 25,607	$ 2,241,275	$ 38,241	$ 521,689	$ 679,327	$ 8,562,292
Liabilities						
Due to other governments	$ -	$ 185,142	$ -	$ -	$ -	$ 2,276,297
Escrow liability	25,607	2,056,133	38,241	521,689	679,327	6,285,995
Total Liabilities	$ 25,607	$ 2,241,275	$ 38,241	$ 521,689	$ 679,327	$ 8,562,292

COUNTY OF WASHINGTON, PENNSYLVANIA

FIDUCIARY FUNDS

ALL AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

YEAR ENDED DECEMBER 31, 2017

	Balance at January 1, 2017	Additions	Deletions	Balance at December 31, 2017
Treasurer:				
Assets				
Cash and cash equivalents	$ 69,050	$ 361,626	$ 369,521	$ 61,155
Liabilities				
Due to other governments	$ 69,050	$ 361,626	$ 369,521	$ 61,155
Recorder of Deeds:				
Assets				
Cash and cash equivalents	$ 1,529,308	$ 26,814,397	$ 26,610,447	$ 1,733,258
Liabilities				
Due to other governments	$ 1,529,308	$ 26,814,397	$ 26,610,447	$ 1,733,258
Register of Wills:				
Assets				
Cash and cash equivalents	$ 354,775	$ 16,686,275	$ 16,744,308	$ 296,742
Liabilities				
Due to other governments	$ 354,775	$ 16,686,275	$ 16,744,308	$ 296,742

(Continued)

COUNTY OF WASHINGTON, PENNSYLVANIA

FIDUCIARY FUNDS

ALL AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

YEAR ENDED DECEMBER 31, 2017
(Continued)

	Balance at January 1, 2017	Additions	Deletions	Balance at December 31, 2017
Prothonotary:				
Assets				
Cash and cash equivalents	$ 1,758,570	$ 4,891,506	$ 4,738,076	$ 1,912,000
Liabilities				
Escrow liability	$ 1,758,570	$ 4,891,506	$ 4,738,076	$ 1,912,000
Clerk of Courts:				
Assets				
Cash and cash equivalents	$ 859,314	$ 4,315,954	$ 4,122,270	$ 1,052,998
Liabilities				
Escrow liability	$ 859,314	$ 4,315,954	$ 4,122,270	$ 1,052,998

(Continued)

COUNTY OF WASHINGTON, PENNSYLVANIA

FIDUCIARY FUNDS

ALL AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

YEAR ENDED DECEMBER 31, 2017
(Continued)

	Balance at January 1, 2017	Additions	Deletions	Balance at December 31, 2017
CYS Services:				
Assets				
Cash and cash equivalents	$ 21,032	$ 5,867	$ 1,292	$ 25,607
Liabilities				
Escrow liability	$ 21,032	$ 5,867	$ 1,292	$ 25,607
Tax Claim:				
Assets				
Cash and cash equivalents	$ 2,174,325	$ 9,822,344	$ 9,755,394	$ 2,241,275
Liabilities				
Due to other governments	$ 223,177	$ 6,771,006	$ 6,809,041	$ 185,142
Escrow liability	1,951,148	3,051,338	2,946,353	2,056,133
	$ 2,174,325	$ 9,822,344	$ 9,755,394	$ 2,241,275
Domestic Relations:				
Assets				
Cash and cash equivalents	$ 51,855	$ 1,264,518	$ 1,278,132	$ 38,241
Liabilities				
Escrow liability	$ 51,855	$ 1,264,518	$ 1,278,132	$ 38,241

(Continued)

COUNTY OF WASHINGTON, PENNSYLVANIA

FIDUCIARY FUNDS

ALL AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

YEAR ENDED DECEMBER 31, 2017
(Continued)

	Balance at January 1, 2017	Additions	Deletions	Balance at December 31, 2017
Prison Commissary:				
Assets				
Cash and cash equivalents	$ 640,573	$ 653,572	$ 772,456	$ 521,689
Liabilities				
Escrow liability	$ 640,573	$ 653,572	$ 772,456	$ 521,689
Sheriff's Office:				
Assets				
Cash and cash equivalents	$ 344,959	$ 2,973,570	$ 2,639,202	$ 679,327
Liabilities				
Escrow liability	$ 344,959	$ 2,973,570	$ 2,639,202	$ 679,327

(Concluded)

County of Washington, Pennsylvania

Independent Auditor's Report
in Accordance with
Government Auditing Standards

Year Ended December 31, 2017

MaherDuessel

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, 2017, 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 6, 2018.

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 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.

Maher Duessel

Pittsburgh, Pennsylvania
August 6, 2018