

**County of Washington,
Pennsylvania**

Financial Statements and Required
Supplementary and Supplementary Information

Year Ended December 31, 2021
with Independent Auditor's Report

MaherDuessel

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COUNTY OF WASHINGTON, PENNSYLVANIA

YEAR ENDED DECEMBER 31, 2021

TABLE OF CONTENTS

Independent Auditor's Report

Required Supplementary Information:

Management's Discussion and Analysis	i
--------------------------------------	---

Financial Statements:

Government-Wide Financial Statements:

Statement of Net Position	1
Statement of Activities	2

Fund Financial Statements:

Balance Sheet - Governmental Funds	3
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	4
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	6
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	7
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Human Services Special Revenue Fund	8

COUNTY OF WASHINGTON, PENNSYLVANIA

YEAR ENDED DECEMBER 31, 2021

TABLE OF CONTENTS

(Continued)

Fiduciary Funds:

Statement of Net Position - Fiduciary Funds 9

Statement of Changes in Net Position - Fiduciary Funds 10

Notes to the Financial Statements 11

Required Supplementary Information:

Schedules of Changes in the Plan's Net Pension Liability and Related Ratios 56

Schedules of Pension Plan Contributions and Investment Returns 57

Schedules of Changes in the Net OPEB Liability and Related Ratios 58

Schedules of OPEB Plan Contributions and Investment Returns 59

Notes to Required Supplementary Schedules 60

Supplementary Information:

Combining and Individual Fund Financial Statements:

Other Governmental Funds:

Combining Balance Sheet 64

Combining Statement of Revenues, Expenditures, and Changes in Fund
Balance 65

Special Revenue Funds:

Airport Operating Fund - Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual 66

COUNTY OF WASHINGTON, PENNSYLVANIA

YEAR ENDED DECEMBER 31, 2021

TABLE OF CONTENTS

(Continued)

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual – Behavioral Health and Developmental Services Fund	67
Liquid Fuels Fund - Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	68
Hazardous Materials Emergency Response Fund - Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	69
Domestic Relations Fund - Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	70
<u>Fiduciary Funds:</u>	
Combining Statement of Fiduciary Net Position – All Custodial Funds	71
Combining Statement of Changes in Fiduciary Net Position – All Custodial Funds	72

Independent Auditor's Report

**Board of County Commissioners
County Controller
County of Washington, Pennsylvania**

Report on the Audit of the Financial Statements

Qualified and Unmodified Opinions

We have audited the accompanying financial statements of the governmental 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, 2021, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Summary of Opinions

<i>Opinion Unit</i>	<i>Type of Opinion</i>
Governmental Activities	Unmodified
General Fund	Unmodified
Human Services Fund	Unmodified
Capital Expenditures Fund	Unmodified
Aggregate Remaining Fund Information	Qualified

Qualified Opinion on Aggregate Remaining Fund Information

In our opinion, except for the effects of the matter described in the Basis for Qualified and Unmodified Opinions section of our report, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the aggregate remaining fund information of the County, as of December 31, 2021, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions on Governmental Activities and Each Major Fund

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the County, as of December 31, 2021, and the respective changes in financial position and the respective budgetary comparison schedule for the General Fund and Human Services Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the County, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified audit opinions.

Matter Giving Rise to Qualified Opinion on the Aggregate Remaining Fund Information

Management has not included financial activities and balances of the Register of Wills and Clerk of Courts offices as part of the custodial funds financial statements. Accounting principles generally accepted in the United States of America require the financial statements of these offices to be included as part of the aggregate remaining fund information thus increasing the statements of net position and changes in net position of the fiduciary funds assets, liabilities, additions and deductions. The amount by which this departure would affect the assets, liabilities, additions, and deductions of the aggregate remaining fund information has not been determined.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not

detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 County's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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 purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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, except for the effects on the supplementary information of the qualified opinion on the basic financial statements as explained in the Basis for Qualified and Unmodified Opinions section, the supplementary information listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Mahe Duessel

Pittsburgh, Pennsylvania
April 13, 2023

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, 2021. 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 \$20,343,079, a decrease of \$415,343 from 2020. The major components of the fund balance are: \$6,932,674, which is assigned for future purposes and/or projects, and \$11,400,158, which is unassigned and represents all other spendable monies not classified elsewhere.

The County had \$36,652,853 of general obligation debt as of December 31, 2021. This represents a net decrease of \$2,493,515 from 2020.

The County had a \$37.2 million unrestricted net position for its governmental activities as of December 31, 2021, an increase of \$7.9 million from the previous year. Total assets increased by \$32.6 million; total liabilities increased by \$51.5 million from 2020.

In 2004, the County ceased providing other post-employment benefits to all employees hired on or after April 1, 2004. In 2012, the County established an OPEB Trust Fund to provide future funding for OPEB liabilities. As of December 31, 2021, the Trust had restricted net position of \$25,354,527, which positively affected the unfunded net OPEB liability recorded on the government-wide financial statements.

The County received \$4,678,316 in Act 13 funds in 2021. This was the tenth-year funds were received from this impact fee levied on unconventional gas wells.

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

During 2021, a total of \$297,047 in real estate refunds was issued, an increase of \$129,176 from the previous year.

The County's real estate millage remained unchanged at 2.43 mills.

Overview of the Financial Statements

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

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

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

Government-wide Financial Statements

Government-wide financial statements provide information on governmental 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, liabilities, and deferred inflows 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 2021. 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.

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 two 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 GASB Statement No. 34. Financial data for remaining governmental funds are combined into a single presentation labeled Other Governmental Funds.

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 custodial 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 11 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, 2021 and compares it to 2020.

Summary of Net Position

	<u>Governmental Activities</u>	
	<u>2021</u>	<u>2020</u>
Assets:		
Current and other assets	\$ 154,100,498	\$ 100,248,813
Capital assets	101,384,183	103,737,276
Total Assets	255,484,681	203,986,089
Deferred Outflows of Resources:		
Related to pensions	8,721,189	13,695,473
Related to OPEB	871,128	2,065,963
Deferred charge on refunding	546,946	615,315
Total Deferred Outflows of Resources	10,139,263	16,376,751
Liabilities:		
Current liabilities	80,645,070	26,262,328
Other liabilities	57,431,878	80,164,091
Total Liabilities	138,076,948	106,426,419
Deferred Inflows of Resources:		
Related to pension	14,412,876	7,115,296
Related to OPEB	4,996,373	8,616,447
Total Deferred Inflows of Resources	19,409,249	15,731,743
Net Position:		
Net investment in capital assets	65,352,316	65,470,753
Restricted	5,591,429	3,392,355
Unrestricted	37,194,002	29,341,570
Total Net Position	\$ 108,137,747	\$ 98,204,678

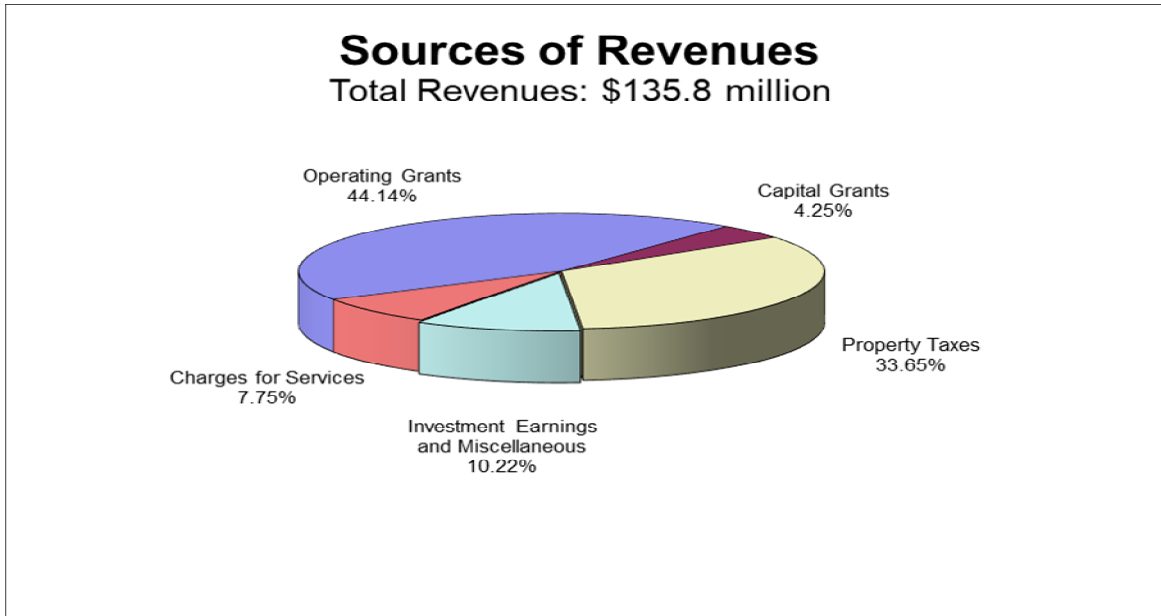
Net Position

For 2021, net position of governmental activities increased by \$9,933,069 to \$108,137,747. Governmental activities unrestricted net position, funds available for operations, increased by \$7,852,432.

Summary of Changes in Net Position For the Years Ended December 31, 2021 and 2020

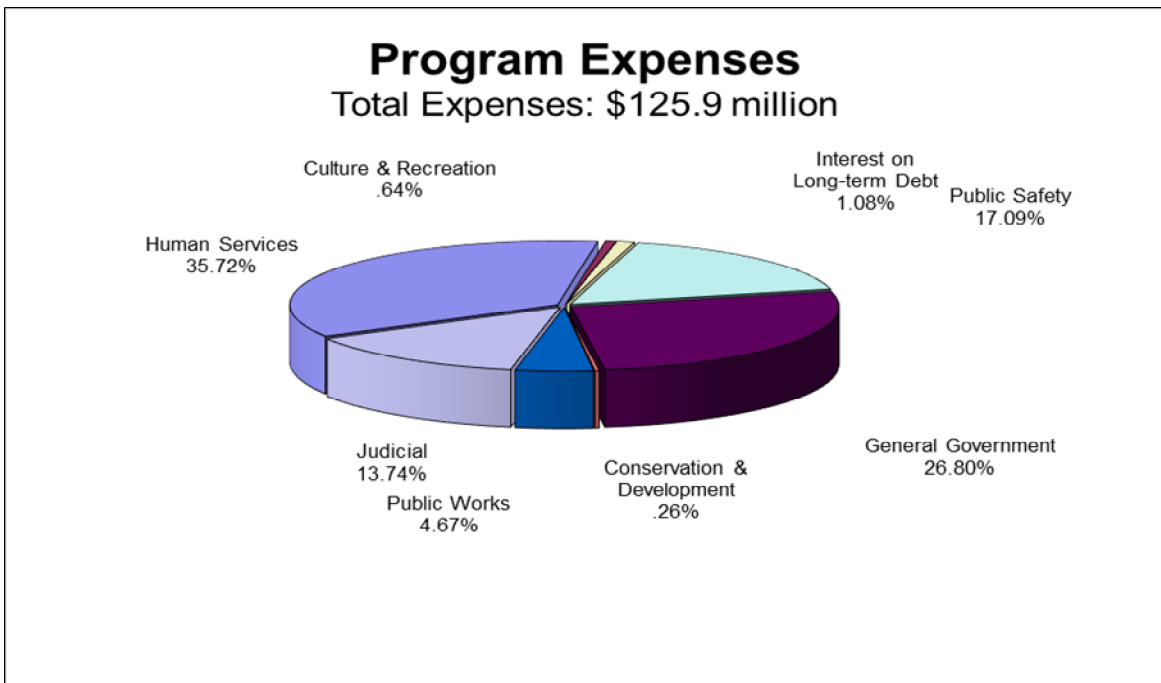
	Governmental Activities	
	2021	2020
Revenues:		
Program revenues:		
Charges for services	\$ 10,528,652	\$ 9,352,287
Operating grants and contributions	59,969,752	66,083,578
Capital grants and contributions	5,771,225	7,171,491
General revenues:		
Property and hotel taxes	45,724,168	43,518,014
Investment earnings	92,060	526,169
Miscellaneous	13,788,847	10,228,347
Total revenues	<u>135,874,704</u>	<u>136,879,886</u>
Program expenses:		
General government	33,746,315	44,405,164
Judicial	17,306,178	17,661,179
Public safety	21,524,909	22,475,076
Public works	5,880,485	2,850,145
Human services	44,983,597	38,283,212
Culture and recreation	812,139	632,913
Conservation and development	331,522	330,413
Interest	1,356,490	1,575,111
Total program expenses	<u>125,941,635</u>	<u>128,213,213</u>
Change in Net Position	<u>\$ 9,933,069</u>	<u>\$ 8,666,673</u>

The following chart shows the composition of revenues for the year ended December 31, 2021:



Total government-wide revenues of \$135.8 million were derived primarily from program-based operating grants, representing 44.14% of the total. Real estate taxes made up the second largest source of revenue at 33.65%.

The following chart graphically depicts the government-wide program expenses for the year ended December 31, 2021:



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 \$125.9 million with a net cost of services of \$49.7 million.

Net Cost of Washington County's Governmental Activities For the Years Ended December 31, 2021 and 2020

	Expenses		Program Revenues		Net Cost of Services	
	2021	2020	2021	2020	2021	2020
General government	\$ 33,746,315	\$ 44,405,164	\$ 4,551,518	\$ 23,745,445	\$ 29,194,797	\$ 20,659,719
Judicial	17,306,178	17,661,179	6,998,873	6,703,129	10,307,305	10,958,050
Public safety	21,524,909	22,475,076	6,675,706	6,593,778	14,849,203	15,881,298
Public works	5,880,485	2,850,145	5,772,319	6,221,774	108,166	(3,371,629)
Human services	44,983,597	38,283,212	51,962,180	39,092,365	(6,978,583)	(809,153)
Culture and recreation	812,139	632,913	308,973	250,183	503,166	382,730
Conservation and development	331,522	330,413	60	682	331,462	329,731
Debt service	1,356,490	1,575,111	-	-	1,356,490	1,575,111
Totals	<u>\$ 125,941,635</u>	<u>\$ 128,213,213</u>	<u>\$ 76,269,629</u>	<u>\$ 82,607,356</u>	<u>\$ 49,672,006</u>	<u>\$ 45,605,857</u>

Financial Analysis of County's Funds

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

Governmental Funds

For the year ended December 31, 2021, the County had combined ending fund balances of \$67,760,693, a decrease of \$4,003,329 from 2020 .

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 2021, the total General Fund balance was \$20,343,079, a decrease of \$415,343 from 2020.

General Fund revenues decreased during 2021, from \$98,120,498 to \$92,484,141, and expenditures in the fund decreased from \$109,982,704 to \$92,220,447.

The Human Services 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. The year-end fund balance decreased by \$3,365,163.

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, \$5,599,528 was allocated to departments anticipated to exceed their original budgets. Of this amount, the majority was reallocated from anticipated excess in other departments, and \$2.3 million was allocated from unanticipated revenues related to COVID-19 Hospitality Industry Recovery Program monies. Variances between actual expenditures and budgeted expenditures for the year reflected a positive variance in the amount of \$8,453,050, with the bulk being less than anticipated expenditures under general government-administration, public safety, and human services.

Revenue Variances

Variances between actual revenue and budgeted revenue for the year reflected a positive variance in the amount of \$829,371.

Capital Assets and Debt Administration

The County's net investment in capital assets amounted to \$101,384,183, as of December 31, 2021.

Summary of Capital Assets

	2021	2020
Capital Assets, net of accumulated depreciation:		
Land and improvements	\$ 15,231,415	\$ 16,419,290
Buildings and improvements	36,700,642	38,042,087
Infrastructure	28,970,711	9,955,176
Furniture, fixture, and equipment	9,102,599	28,388,490
Construction in progress	11,378,816	10,932,233
Total	\$ 101,384,183	\$ 103,737,276

Highlights of amounts expended in 2021 for major capital assets include:

- \$1.3 million for development at the County Airport.
- \$3.6 million for improvements to County Bridges.
- \$2.5 million for improvements to County Buildings.
- \$600,000 for improvements to County Parks.

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

Long-Term Debt

As of December 31, 2021, the County had outstanding debt of \$36,652,853. This was a decrease of \$2,493,515 from the previous year.

Outstanding Debt as of December 31, 2021

General obligation bonds	\$ 36,652,853
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Further details found in Note 8 to the County’s financial statements.

Economic Factors and the 2022 Budget

The real estate tax rate for 2022 remained at 2.43 mills.

The County’s 2022 actuarially determined contribution to the Retirement Fund is \$4,430,446, a decrease of \$217,713 from 2021.

The County has been awarded \$98.9 million in Local Coronavirus Relief Funds under the American Rescue Plan Act. At the time of the issuance of this report, the County has received the total award. The County currently has several eligible projects in process and in planning. Some of the projects are: space needs assessment at the County Correctional Facility to increase the congregate setting, scanning of public documents for electronic retrieval, court related software designed to allow for electronic filing of court documents, creation of an additional courtroom at the County Courthouse with proper room for a juror box and the ability to socially distance, expansion of broadband internet to underserved areas of the County, and improvements to the County's emergency 9-1-1 radio coverage.

The \$204.9 million consolidated budget for 2022 represents an increase of \$49.4 million in expenditures and other financing uses from 2021. Revenues and other financing sources increased \$54.7 million from 2021. This is mainly a result of American Rescue Plan Act monies.

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
100 West Beau Street, Suite 403
Washington, PA 15301

or

Washington County Finance Department
95 West Beau Street, Suite 403
Washington, PA 15301

COUNTY OF WASHINGTON, PENNSYLVANIA

STATEMENT OF NET POSITION

DECEMBER 31, 2021

Assets	Governmental Activities
Cash and cash equivalents	\$ 125,078,528
Receivables:	
Taxes receivable, net of allowance	3,197,814
Due from other governments	14,738,816
Interest and other	5,492,122
Loans receivable	24,728
Prepaid assets and other	2,743,958
Net pension asset	2,824,532
Capital assets not being depreciated	11,858,816
Capital assets, net of accumulated depreciation	89,525,367
Total Assets	255,484,681
Deferred Outflows of Resources	
Related to pensions	8,721,189
Related to OPEB	871,128
Deferred charge on refunding	546,946
Total Deferred Outflows of Resources	10,139,263
Liabilities	
Accounts payable	15,240,530
Accrued payroll and other expenses	2,762,943
Accrued interest payable	336,242
Unearned revenue	61,755,666
Escrow liability	549,689
Net OPEB liability	21,023,206
Bonds payable:	
Amount due within one year	2,785,000
Amount due in more than one year	33,867,853
Discount on bonds	(244,181)
Net bonds payable	36,408,672
Total Liabilities	138,076,948
Deferred Inflows of Resources	
Related to pensions	14,412,876
Related to OPEB	4,996,373
Total Deferred Inflows of Resources	19,409,249
Net Position	
Net investment in capital assets	65,352,316
Restricted for:	
Debt service	93,526
ARPA	53,566
Domestic relations	26,770
Liquid fuels	1,218,602
Emergency communication	1,362,897
Pension	2,824,532
Unrestricted	37,205,538
Total Net Position	\$ 108,137,747

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

COUNTY OF WASHINGTON, PENNSYLVANIA

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary Government:					
Governmental activities:					
General government - administration	\$ 33,746,315	\$ 3,790,714	\$ 760,804	\$ -	\$ (29,194,797)
General government - judicial	17,306,178	4,547,505	2,451,368	-	(10,307,305)
Public safety	21,524,909	983,855	5,691,851	-	(14,849,203)
Public works and enterprises	5,880,485	1,154	-	5,771,165	(108,166)
Human services	44,983,597	1,110,538	50,851,642	-	6,978,583
Culture and recreation	812,139	94,886	214,087	-	(503,166)
Conservation and development	331,522	-	-	60	(331,462)
Interest and amortization	1,356,490	-	-	-	(1,356,490)
Total governmental activities	125,941,635	10,528,652	59,969,752	5,771,225	(49,672,006)
General revenues:					
Taxes:					
Property taxes, levied for general purposes, net of uncollectibles					44,196,323
Hotel tax					1,527,845
Interest, rents and royalties					92,060
Rents and royalties					8,174,210
ACT 13 Impact Fee					4,678,316
Payments in lieu of taxes					97,089
Sale of assets					508
Miscellaneous					838,724
Total general revenues					59,605,075
Change in Net Position					9,933,069
Net Position:					
Beginning of year					98,204,678
End of year					\$ 108,137,747

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

COUNTY OF WASHINGTON, PENNSYLVANIA

BALANCE SHEET - GOVERNMENTAL FUNDS

DECEMBER 31, 2021

Assets	General	Human Services	Capital Expenditures	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 62,115,453	\$ 13,947,704	\$ 43,447,129	\$ 5,568,242	\$ 125,078,528
Receivables:					
Taxes receivable, net of allowance	3,197,814	-	-	-	3,197,814
Due from other governments	10,876,138	612,176	-	3,250,502	14,738,816
Interest and other	2,614,185	-	2,418,485	459,452	5,492,122
Loans receivable	-	-	-	24,728	24,728
Total receivables	<u>16,688,137</u>	<u>612,176</u>	<u>2,418,485</u>	<u>3,734,682</u>	<u>23,453,480</u>
Due from other funds	1,283,725	-	-	12,493	1,296,218
Prepays and other	<u>1,775,737</u>	<u>507,767</u>	<u>7,365</u>	<u>453,089</u>	<u>2,743,958</u>
Total Assets	<u>\$ 81,863,052</u>	<u>\$ 15,067,647</u>	<u>\$ 45,872,979</u>	<u>\$ 9,768,506</u>	<u>\$ 152,572,184</u>
Liabilities, Deferred Inflows of Resources, and Fund Balance					
Liabilities:					
Accounts payable	\$ 5,963,595	\$ 3,492,015	\$ 2,241,597	\$ 3,543,323	\$ 15,240,530
Accrued payroll and other expenditures	2,369,893	-	-	393,050	2,762,943
Unearned revenue	49,450,489	11,575,632	-	729,545	61,755,666
Due to other funds	4,590	-	11,271	1,280,357	1,296,218
Escrow liability	549,689	-	-	-	549,689
Total Liabilities	<u>58,338,256</u>	<u>15,067,647</u>	<u>2,252,868</u>	<u>5,946,275</u>	<u>81,605,046</u>
Deferred Inflows of Resources:					
Unavailable revenue - loan repayment	-	-	-	24,728	24,728
Unavailable revenue - real estate taxes and other	<u>3,181,717</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,181,717</u>
Total Deferred Inflows of Resources	<u>3,181,717</u>	<u>-</u>	<u>-</u>	<u>24,728</u>	<u>3,206,445</u>
Fund Balance:					
Nonspendable:					
Prepays and other	1,775,737	-	7,365	453,029	2,236,131
Restricted for:					
Debt service	-	-	-	93,526	93,526
Human services	-	-	-	-	-
ARPA	53,566	-	-	-	53,566
Domestic relations	-	-	-	26,770	26,770
Liquid fuels	-	-	-	1,218,602	1,218,602
Emergency communication	-	-	-	1,374,433	1,374,433
Committed for:					
Capital projects	-	-	43,494,927	39,704	43,534,631
Hazardous materials	-	-	-	558,808	558,808
Airport operations	-	-	-	23,620	23,620
Assigned for:					
Encumbrances	180,944	-	117,819	9,011	307,774
Resources to be used for future purposes and/or projects	6,932,674	-	-	-	6,932,674
Unassigned	<u>11,400,158</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,400,158</u>
Total Fund Balance	<u>20,343,079</u>	<u>-</u>	<u>43,620,111</u>	<u>3,797,503</u>	<u>67,760,693</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 81,863,052</u>	<u>\$ 15,067,647</u>	<u>\$ 45,872,979</u>	<u>\$ 9,768,506</u>	<u>\$ 152,572,184</u>

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

COUNTY OF WASHINGTON, PENNSYLVANIA

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

DECEMBER 31, 2021

Total Fund Balance - Governmental Funds	\$ 67,760,693
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.</p>	101,384,183
<p>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.</p>	3,181,717
<p>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.</p>	24,728
<p>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.</p>	791,127
<p>The actuarially accrued net OPEB liability and deferred outflows and inflows of resources for OPEB are not recorded on the fund financial statements.</p>	(25,148,451)
<p>The actuarially accrued net pension liability/(asset) and deferred outflows and inflows of resources for pensions are not recorded on the fund financial statements.</p>	(2,867,155)
<p>Long-term liabilities, including bonds payable and accrued interest 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:</p>	
Bonds payable	\$ (36,652,853)
Accrued interest on bonds	(336,242)
	(36,989,095)
Total Net Position - Governmental Activities	<u>\$ 108,137,747</u>

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, 2021

	General	Human Services	Capital Expenditures	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 43,497,590	\$ -	\$ -	\$ -	\$ 43,497,590
Intergovernmental	31,161,074	11,045,588	4,678,346	23,441,571	70,326,579
Charges for services	10,915,803	-	3,525,318	921,074	15,362,195
Fines and forfeits	212,849	-	-	-	212,849
Interest, rents and royalties	1,370,196	11,785	24,479	2,311	1,408,771
Other	5,326,629	1,503	-	8,654	5,336,786
Total revenues	92,484,141	11,058,876	8,228,143	24,373,610	136,144,770
Expenditures:					
Current:					
General government - administration	17,569,704	-	-	-	17,569,704
General government - judicial	16,415,169	-	-	3,657,959	20,073,128
Public safety	19,750,889	-	-	4,289,722	24,040,611
Public works and enterprises	-	-	-	4,879,502	4,879,502
Human services	26,036,234	11,058,876	-	12,038,230	49,133,340
Culture and recreation	340,507	-	-	-	340,507
Conservation and development	333,144	-	-	-	333,144
Other	11,774,800	-	-	-	11,774,800
Debt service:					
Principal	-	-	-	2,685,000	2,685,000
Interest and fiscal charges	-	-	-	1,108,894	1,108,894
Capital projects	-	-	6,591,991	1,341,527	7,933,518
Total expenditures	92,220,447	11,058,876	6,591,991	30,000,834	139,872,148
Excess (Deficiency) of Revenues Over (Under) Expenditures	263,694	-	1,636,152	(5,627,224)	(3,727,378)
Other Financing Sources (Uses):					
Sale of capital assets	508	-	-	-	508
Real estate refunds	(297,047)	-	-	-	(297,047)
Loan repayment	-	-	-	20,588	20,588
Transfers in	5,000,000	-	-	5,383,813	10,383,813
Transfers out	(5,382,498)	-	(5,001,315)	-	(10,383,813)
Total other financing sources (uses)	(679,037)	-	(5,001,315)	5,404,401	(275,951)
Net Change in Fund Balance	(415,343)	-	(3,365,163)	(222,823)	(4,003,329)
Fund Balance:					
Beginning of year	20,758,422	-	46,985,274	4,020,326	71,764,022
End of year	\$ 20,343,079	\$ -	\$ 43,620,111	\$ 3,797,503	\$ 67,760,693

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, 2021

Net Change in Fund Balance - Governmental Funds		\$ (4,003,329)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>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.</p>		
Capital outlays (net of deletions)	\$ 3,305,293	
Less: Depreciation expense	<u>(5,658,386)</u>	(2,353,093)
<p>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 changed by this amount during the year.</p>		
		698,733
<p>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.</p>		
		2,385,831
<p>Changes in the net OPEB liability and related deferred outflows and inflows of resources do not affect current financial resources and, therefore, are not reflected on the fund statements.</p>		
		9,678,765
<p>Changes in the net pension liability/(asset) and related deferred outflows and inflows of resources do not affect current financial resources and, therefore, are not reflected on the fund statements.</p>		
		3,493,555
<p>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.</p>		
		<u>32,607</u>
Change in Net Position of Governmental Activities		<u>\$ 9,933,069</u>

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, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 42,141,209	\$ 42,141,209	\$ 43,497,590	\$ 1,356,381
Intergovernmental	30,040,445	32,263,473	31,161,074	(1,102,399)
Charges for services	12,536,050	12,536,050	10,915,803	(1,620,247)
Fines and forfeits	200,000	200,000	212,849	12,849
Interest, rents and royalties	2,268,038	2,268,038	1,370,196	(897,842)
Other	2,246,000	2,246,000	5,326,629	3,080,629
Total revenues	89,431,742	91,654,770	92,484,141	829,371
Expenditures:				
Current:				
General government - administration	16,085,203	20,333,231	17,569,704	2,763,527
General government - judicial	17,400,956	17,135,956	16,415,169	720,787
Public safety	22,580,003	21,789,253	19,750,889	2,038,364
Human services	29,155,656	27,581,406	26,036,234	1,545,172
Culture and recreation	340,507	340,507	340,507	-
Conservation and development	333,144	333,144	333,144	-
Other	12,555,000	13,160,000	11,774,800	1,385,200
Total expenditures	98,450,469	100,673,497	92,220,447	8,453,050
Excess (Deficiency) of Revenues Over Expenditures	(9,018,727)	(9,018,727)	263,694	9,282,421
Other Financing Sources (Uses):				
Sale of capital assets	10,000	10,000	508	(9,492)
Real estate refunds	(180,000)	(180,000)	(297,047)	(117,047)
Transfers in	5,045,000	5,045,000	5,000,000	(45,000)
Transfers out	(5,446,546)	(5,446,546)	(5,382,498)	64,048
Total other financing sources (uses)	(571,546)	(571,546)	(679,037)	(107,491)
Net Change in Fund Balance	\$ (9,590,273)	\$ (9,590,273)	\$ (415,343)	\$ 9,174,930

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, 2021

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		
Revenues:				
Intergovernmental	\$ 4,963,526	\$ 12,763,526	\$ 11,045,588	\$ (1,717,938)
Interest	15,475	15,475	11,785	(3,690)
Other	10,000	10,000	1,503	(8,497)
Total revenues	4,989,001	12,789,001	11,058,876	(1,730,125)
Expenditures:				
Human services	4,989,001	12,789,001	11,058,876	1,730,125
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

FIDUCIARY FUNDS

DECEMBER 31, 2021

	Employees' Retirement Plan	OPEB Trust Fund	Custodial Funds
Assets			
Cash and cash equivalents	\$ 2,500,017	\$ 306,651	\$ 5,461,292
Investments:			
Fixed income - debt securities	30,286,623	3,733,861	-
Fixed income - mutual funds	15,423,703	-	-
U.S. equities	50,383,710	6,842,870	-
Global equities	49,692,930	6,127,283	-
International equities	16,026,059	3,289,702	-
Alternatives (defensive equity)	21,496,603	1,267,920	-
Real estate funds	28,361,408	3,786,240	-
Receivables:			
Accounts receivable	-	-	46,532
Interest	210,516	-	-
Due from other funds	8,100	-	-
	214,389,669	25,354,527	5,507,824
Liabilities			
Accounts payable	127,057	-	24,905
Due to other funds	-	-	204,694
Due to other governments	-	-	1,740,729
Escrow liability	-	-	3,537,496
	127,057	-	\$ 5,507,824
Net Position			
Net Position Restricted for:			
Pension benefits	214,262,612	-	
OPEB	-	25,354,527	
	\$ 214,262,612	\$ 25,354,527	

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, 2021

	<u>Employees' Retirement Plan</u>	<u>OPEB Trust Fund</u>	<u>Custodial Funds</u>
Additions:			
Contributions:			
Employer	\$ 4,648,159	\$ -	\$ -
Employee	3,412,228	-	-
Total contributions	<u>8,060,387</u>	<u>-</u>	<u>-</u>
Investment earnings (loss):			
Net increase (decrease) in fair value of investments	19,701,832	2,973,669	-
Interest and dividends	<u>6,971,725</u>	<u>400,305</u>	<u>3,727</u>
Total investment earnings (loss)	26,673,557	3,373,974	3,727
Investment expense	<u>(351,457)</u>	<u>-</u>	<u>-</u>
Net investment earnings (loss)	<u>26,322,100</u>	<u>3,373,974</u>	<u>3,727</u>
Receipts:			
Treasurer	-	-	312,170
Recorder of Deeds	-	-	32,799,484
Prothonotary	-	-	861,367
Sheriff's Office	-	-	3,123,016
Tax Claim	-	-	14,215,513
Prison Commissary	-	-	<u>1,097,052</u>
Total receipts	<u>-</u>	<u>-</u>	<u>52,408,602</u>
Total additions	<u>34,382,487</u>	<u>3,373,974</u>	<u>52,412,329</u>
Deductions:			
Benefits	10,726,738	-	-
Refunds of contributions	1,480,706	-	-
Administrative expense	106,693	-	-
Disbursements:			
Payments to other governments	-	-	41,124,883
Payments to other funds	-	-	6,588,321
Other custodial disbursements	<u>-</u>	<u>-</u>	<u>4,699,125</u>
Total disbursements	<u>-</u>	<u>-</u>	<u>52,412,329</u>
Total deductions	<u>12,314,137</u>	<u>-</u>	<u>52,412,329</u>
Change in Net Position	22,068,350	3,373,974	-
Net Position:			
Beginning of year	<u>192,194,262</u>	<u>21,980,553</u>	<u>-</u>
End of year	<u>\$ 214,262,612</u>	<u>\$ 25,354,527</u>	<u>\$ -</u>

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

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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.

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

- 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

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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, while the assets continue to be owned by the County. The RDA does 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.

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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 County does not exercise significant control over the D&A Program, and the D&A Program is independent of the County regarding fiscal accountability, scope of public service, and financial assistance program relationships.

Washington/Greene County Job Training Agency

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

Washington County Fair Board

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

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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.

The County allocates indirect expenses, primarily comprised of central governmental services, to operating functions and programs benefiting from those services. Central

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

services include overall County management, centralized budgetary formulation and oversight, accounting, financial reporting, personnel, purchasing, cash management, and other central administrative services. Allocations are charged to programs based on use of central services determined by various allocation methodologies. These charges are included in direct expenses in the statement of activities.

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

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

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

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to pensions, other post-employment benefits, compensated absences, and claims and judgments are recorded only when payment is due.

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 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 also reports the following other governmental funds:

Special Revenue Funds

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

- The *Airport Operating Fund* accounts for the County contribution of \$100,000 per year to the RDA to assist in operating 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.

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

- The *Behavioral Health and Developmental Services Fund* accounts for expenditures and reimbursement of revenue related to providing treatment services to individuals who suffer from health, intellectual or developmental 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.

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.

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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.

Custodial Funds do not involve measurement of results of operations. Custodial 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. The Register of Wills and Clerk of Courts are not presented as part of the 2021 custodial funds as required by generally accepted accounting principles.

D. Deposits and Investments

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. 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,

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

although the Pension 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.

G. Risks and Uncertainties

Financial instruments, which potentially expose the County to concentrations of credit risk, include investments in marketable securities. As a matter of policy, the County maintains investment balances only with institutions having a high credit quality. Concentration of credit risk for investments in marketable securities is mitigated by the overall diversification of managed investment portfolios. Investment securities are also exposed to various other risks such as interest rate risk and market risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near-term and that such a change could materially affect the amount reported on the statement of net position.

H. Interfund Transactions

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

I. 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.

J. 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 activities column 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 acquisition value at the date of donation.

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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, 2021 is not significant.

K. 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 and OPEB accounting requirements, the effect of the change in assumptions, differences between expected and actual experience, and the net difference between projected and actual earnings on pension and OPEB plan investments are recorded as deferred outflows of resources related to pensions and OPEB on the government-wide financial statements. These amounts are determined based on actuarial valuations performed for the plans. Notes 5 and 6 present additional information about the pension and OPEB plans.

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.

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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 and OPEB accounting requirements, the effect of the change in assumptions, differences between expected and actual experience, and the net difference between projected and actual earnings on pension and OPEB plan investments are recorded as deferred inflows of resources related to pensions and OPEB on the government-wide financial statements. These amounts are determined based on actuarial valuations performed for the plans. Notes 5 and 6 present additional information about the pension and OPEB plans.

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.

L. Long-Term Liabilities

In the government-wide 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.

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.

M. 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

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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.

N. 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, domestic relations 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.
- 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 and resources to be used for future purposes and/or projects.
- 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.

O. Net Position

The government-wide 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

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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.

P. 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.

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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.

Q. 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.

R. 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.

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

S. Adopted Pronouncements

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

GASB Statement No. 89, "*Accounting for Interest Cost Incurred before the End of a Construction Period*," establishes accounting requirements for interest costs incurred before the end of a construction period.

GASB Statement No. 93, "*Replacement of Interbank Offered Rates*," provides guidance for the replacement of an interbank offered rate, most notably the London Interbank Offered Rate (LIBOR).

The provisions of these statements had no significant impact on the County's financial statements.

T. Pending Pronouncements

GASB has issued statements that will become effective in future years, including Statement Nos. 87 (Leases), 91 (Conduit Debt Obligations), 92 (Omnibus 2020), 94 (Public-Private and Public-Public Partnerships), 96 (Information Technology Arrangements), 97 (Deferred Compensation Plans), 99 (Omnibus 2022), 100 (Accounting Changes and Error Corrections), and 101 (Compensated Absences). 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

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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, 2021, \$912,858 of the County's \$89,380,448 bank balance was insured by the Federal Deposit Insurance Corporation. The remaining bank balance of \$86,870,138 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 \$86,870,138 as of December 31, 2021 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 external investment pools 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 issues separately audited financial statements that are available to the public. The fair value of the County's position in the external investment pools 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. PLGIT, INVEST, and BlackRock annual reports are available on their respective websites. The County can withdraw funds from PLGIT with certain restrictions. For PLGIT-Class accounts, there is a one-day holding period. For PLGIT/Reserve-Class and PLGIT/Prime accounts, there is a one-day holding period and a penalty 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, 2021, the bank and book balances of the investments in PLGIT, INVEST, and BlackRock are \$28,580,924, \$214,097, and \$9,306,004, respectively. These are considered to be cash

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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 bank balance and carrying amount of \$107,365, which is not exposed to custodial credit risk.

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, 2021, 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.

Custodial Funds

The County maintains bank accounts for the elected row officers and other County offices. The balance of these accounts is reflected in the statement of fiduciary net position, respectively, for the year December 31, 2021. The carrying amount of deposits for the row offices and other County offices (excluding the Register of Wills and the Clerk of Courts offices) was \$4,898,516 and the bank balance was \$5,034,213. Of the bank balance, \$250,000 was covered by federal depository insurance. The remaining balance of \$4,784,213 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.

The County uses external investment pools to ensure safety and maximize efficiency, liquidity, and yield for County funds. These funds are invested in PLGIT and INVEST, which issue separately 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. PLGIT and INVEST annual reports are available on their respective websites. The County can withdraw funds from PLGIT. For

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

PLGIT-Class accounts, there is a one-day holding period. For PLGIT/Prime accounts, there is a one-day holding period and a penalty for more than two withdrawals in a calendar month. The County can withdraw funds from INVEST without limitations or fees. As of December 31, 2021, the bank and book balances of the investments in PLGIT and INVEST are \$561,438 and \$1,338, respectively. These are considered to be cash equivalents for presentation on the statement of fiduciary net position for the custodial funds.

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, 2021, the County had the following cash equivalents and investments in its Plan:

Cash or Investment Type	Fair Value	Investment Maturities from December 31, 2021			
		Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years
Fixed income - Debt securities					
U.S. government and related obligations	\$ 13,996,243	\$ 1,105,238	\$ 8,584,039	\$ 3,295,454	\$ 1,011,512
Corporate debt	14,119,623	302,635	7,569,318	5,818,274	429,396
Mortgage and other asset-backed securities	2,170,757	-	1,283,908	148,073	738,776
Total fixed income-debt securities	30,286,623	\$ 1,407,873	\$ 17,437,265	\$ 9,261,801	\$ 2,179,684
Cash and cash equivalents	2,500,017				
Fixed income - mutual funds	15,423,703				
U.S. equities	50,383,710				
Global equities	49,692,930				
International equities	16,026,059				
Alternatives (defensive equity)	21,496,603				
Real estate funds	28,361,408				
Total cash, cash equivalents, and investments reported on statement of plan net position	\$ 214,171,053				

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

The Plan had the following recurring fair value measurements at December 31, 2021:

Investments by Fair Value Level	Total	Fair Value Measurements		
		Level 1	Level 2	Level 3
Fixed income - debt securities				
U.S. government and related obligations	\$ 13,996,243	\$ 13,996,243	\$ -	\$ -
Corporate debt	14,119,623	-	14,119,623	-
Mortgage and other asset-backed securities	2,170,757	-	2,170,757	-
Total fixed income - debt securities	<u>30,286,623</u>	<u>13,996,243</u>	<u>16,290,380</u>	<u>-</u>
Fixed income - mutual funds	15,423,703	15,423,703	-	-
Equities:				
Consumer discretionary	12,041,783	12,041,783	-	-
Consumer staples	6,727,068	6,727,068	-	-
Energy	4,584,639	4,584,639	-	-
Financial	19,604,374	19,604,374	-	-
Health care	17,630,872	17,630,872	-	-
Industrials	10,687,527	10,687,527	-	-
Information technology	23,284,305	23,284,305	-	-
Materials	4,417,604	4,417,604	-	-
Real estate	3,063,845	3,063,845	-	-
Telecommunication services	10,216,921	10,216,921	-	-
Utilities	3,843,761	3,843,761	-	-
Total equities	<u>116,102,699</u>	<u>116,102,699</u>	<u>-</u>	<u>-</u>
Total Investments by Fair Value Level	<u>161,813,025</u>	<u>145,522,645</u>	<u>16,290,380</u>	<u>-</u>
Investments measured at NAV:				
Alternatives (defensive equity)	21,496,603			
Real estate funds	28,361,408			
Total Investments measured at NAV	<u>49,858,011</u>			
Total investments	<u>\$ 211,671,036</u>			

Fixed income - debt securities, equities and fixed income - mutual funds classified in Level 1 are valued using quoted prices in active markets for those securities. Fixed income – debt securities 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).

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

The Plan has the following investments measured using the net asset value per share practical expedient at December 31, 2021:

December 31, 2021	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Alternatives (defensive equity):				
Parametric Defensive Equity	\$ 6,133,901	n/a	End of month	n/a
Partners Group Private Equity II, LLC	6,436,836	n/a	Quarterly	1 year
Partners Group Private Credit Strategy B, LLC	4,097,998	n/a	Quarterly	90 days
Neuberger Berman US Equity Index PutWrite	4,827,868	n/a	Daily	n/a
Total alternatives (defensive equity)	<u>\$ 21,496,603</u>			
Real Estate Funds:				
Hancock Timberland and Farmland Fund L.P.	\$ 5,336,708	n/a	Quarterly	n/a
J.P. Morgan IIF, LP	5,004,531	n/a	March 31 or September 30	n/a
Clarion Lion Properties Fund	8,285,293	n/a	Daily	90 days
TA Realty Core Property Fund	3,734,224	n/a	Quarterly	45 days
Cohen & Steers Global Infrastructure	830,721	n/a	Two per 60 calendar days	n/a
IFM Global Infrastructure	5,169,931	n/a	Quarterly	90 days
	<u>\$ 28,361,408</u>			

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

Custodial Credit Risk - For deposits and investments, custodial credit risk is the risk that in the event of the failure of the bank or counterparty, the pension trust funds 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 pension trust fund does not have a formal deposit or investment policy for custodial credit risk. The County's investments in mutual funds cannot be classified by risk category because they are not evidenced by securities that exist in physical or book entry form. As of December 31, 2021, the County's bank balance of \$867,695 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, included in cash and cash equivalents, have carrying amounts of \$775,026 as of December 31, 2021. Money market investments include short-term U.S. Treasury and agency obligations. As of December 31, 2021, the County's money markets balance of \$1,724,991 included in cash and cash equivalents (bank and book balance) was exposed to custodial credit risk. As of December 31, 2021, the Plan

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

investment balance, excluding mutual funds of \$15,423,703 (bank and book balance), was exposed to custodial credit risk.

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. Fixed income securities below Baa are permissible, but may not exceed 15% of the fixed income portfolio.

As of December 31, 2021, the Plan investments in fixed income – debt securities 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	Fair Value	Percentage of Total Pension Trust Fund Debt Securities
Aaa	\$ 13,733,683	45.3%
Aa1	50,196	0.2%
Aa2	517,783	1.7%
Aa3	429,608	1.4%
A1	1,389,176	4.6%
A2	2,427,644	8.0%
A3	1,173,288	3.9%
Baa1	2,258,812	7.5%
Baa2	2,621,997	8.7%
Baa3	1,446,920	4.8%
Other/unrated	4,237,516	13.9%
	<u>\$ 30,286,623</u>	<u>100%</u>

Concentration of Credit Risk - The County places no limit on the amount the Plan may invest in any one issuer. At December 31, 2021, the Plan had no investments in any one issuer that exceeded 5% of Plan net position.

Interest Rate Risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, the Plan's investment policy is to invest funds to achieve a positive rate of return over the long-term, sufficient to meet the fund's actuarial interest rate and provide for the payment of benefit obligations and expenses in perpetuity in a secure and prudent fashion.

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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, 2021, the County had the following cash, cash equivalents, and investments in its OPEB Funds:

<u>Cash or Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities from December 31, 2021</u>			
		<u>Less than 1 Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>	<u>More than 10 Years</u>
Fixed income - Debt securities	\$ 3,733,861	\$ 234,939	\$ 1,738,331	\$ 1,760,591	\$ -
Cash and cash equivalents	306,651				
U.S. equities	6,842,870				
Global equities	6,127,283				
International equities	3,289,702				
Alternatives (defensive equity)	1,267,920				
Real estate funds	3,786,240				
Total cash, cash equivalents, and investments reported on statement of plan net position	<u>\$ 25,354,527</u>				

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, 2021:

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

Investments by Fair Value Level	Total	Fair Value Measurements		
		Level 1	Level 2	Level 3
Fixed income - debt securities	\$ 3,733,861	\$ 1,728,793	\$ 2,005,068	\$ -
Equities:				
Consumer discretionary	1,709,806	1,709,806	-	-
Consumer staples	960,545	960,545	-	-
Energy	690,729	690,729	-	-
Financial	2,772,315	2,772,315	-	-
Health care	2,313,253	2,313,253	-	-
Industrials	1,691,531	1,691,531	-	-
Information technology	3,054,241	3,054,241	-	-
Materials	696,027	696,027	-	-
Real estate	448,706	448,706	-	-
Telecommunication services	1,414,683	1,414,683	-	-
Utilities	508,019	508,019	-	-
Total equities	16,259,855	16,259,855	-	-
Total Investments by Fair Value Level	19,993,716	17,988,648	2,005,068	-
Investments measured at NAV:				
Alternatives (defensive equity)	1,267,920			
Real estate funds	3,786,240			
Total Investments measured at NAV	5,054,160			
Total investments	\$ 25,047,876			

Fixed income classified in Level 1 are valued using quoted prices in active markets for those securities. Fixed income – debt securities 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 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).

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

As of December 31, 2021, the OPEB fund investments in fixed income – debt securities have received the following ratings from NRSO's:

**Credit Quality Distribution for Securities with Credit Exposure as a Percentage of Total
OPEB Plan Fixed Income - Debt Securities**

Rating	Fair Value	Percentage of Total OPEB Plan Fixed Income - Debt Securities
AAA	\$ 282,649	7.6%
AA	102,537	2.7%
A	616,101	16.5%
BBB	2,816	0.1%
BB	820,758	22.0%
<BBB	71,306	1.9%
Other/unrated	28,269	0.8%
U.S. Government Obligations	1,809,425	48.4%
	<u>\$ 3,733,861</u>	<u>100%</u>

Custodial Credit Risk - Custodial credit risk is the risk that in the event of the failure of the bank or counterparty, the OPEB funds 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 OPEB Funds do not have a formal deposit or investment policy for custodial credit risk. As of December 31, 2021, the OPEB Fund cash and investment balance of \$25,354,527 (bank and book balance), was exposed to custodial credit risk. OPEB fund 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 County may invest in any one issuer.

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

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

The Plan has the following investments measured using the net asset value per share practical expedient at December 31, 2021:

December 31, 2021	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Real estate funds	\$ 3,786,240	n/a	Daily	N/A
Private equity fund	1,267,920	n/a	End of month	N/A

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 into the General Fund are for reimbursements of costs incurred. Transfers out of the General Fund represent local share of costs paid to other funds in addition to transfers for debt service and domestic relations services.

Individual funds receivable and payable balances at year-end and transfers at December 31, 2021 were as follows:

Fund	Interfund Receivables	Interfund Payables
Major Funds:		
General	\$ 1,283,725	\$ 4,590
Capital Expenditures	-	11,271
Other governmental funds	12,493	1,280,357
	<u>\$ 1,296,218</u>	<u>\$ 1,296,218</u>

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

Fund	Transfers In	Transfers Out
Major Funds:		
General	\$ 5,000,000	\$ 5,382,498
Capital Expenditures	-	5,001,315
Other governmental funds	5,383,313	-
	\$ 10,383,313	\$ 10,383,813

4. Capital Assets

Capital asset activity for the year ended December 31, 2021 was as follows:

	Balance at January 1, 2021	Increases	Decreases	Balance at December 31, 2021
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 480,000	\$ -	\$ -	\$ 480,000
Construction in progress	10,932,233	5,775,152	(5,328,569)	11,378,816
Total capital assets, not being depreciated	11,412,233	5,775,152	(5,328,569)	11,858,816
Capital assets, being depreciated:				
Land improvements	28,872,034	10,900	-	28,882,934
Buildings and improvements	71,750,292	436,241	-	72,186,533
Infrastructure	40,022,913	1,351,285	-	41,374,198
Furniture and equipment	36,376,921	1,109,692	(56,600)	37,430,013
Total capital assets, being depreciated	177,022,160	2,908,118	(56,600)	179,873,678
Less accumulated depreciation for:				
Land improvements	(12,932,744)	(1,198,775)	-	(14,131,519)
Buildings and improvements	(33,708,205)	(1,777,686)	-	(35,485,891)
Infrastructure	(11,634,423)	(769,064)	-	(12,403,487)
Furniture and equipment	(26,421,745)	(1,962,269)	56,600	(28,327,414)
Total accumulated depreciation	(84,697,117)	(5,707,794)	56,600	(90,348,311)
Capital assets being depreciated, net	92,325,043	(2,799,676)	-	89,525,367
Governmental activities capital assets, net	\$ 103,737,276	\$ 2,975,476	\$ (5,328,569)	\$ 101,384,183

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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

<u>Governmental Activities:</u>	
General government - administration	\$ 1,991,622
General government - judicial	476,075
Public safety	1,565,931
Public works and enterprises	1,164,143
Human services	38,391
Culture and recreation	<u>471,632</u>
Total depreciation expense - governmental activities	<u>\$ 5,707,794</u>

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.

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

As of the January 1, 2021 actuary valuation date, Plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	864
Inactive plan members entitled to but not yet receiving benefits	162
Active plan members	<u>721</u>
Total plan members	<u><u>1,747</u></u>

Summary of Significant Accounting Policies

Financial information of the Plan is presented on the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due as required by the 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

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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.

During the year, the County made the actuarially determined contribution to the Plan of \$4,648,159.

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

Changes in the Net Pension Liability/Asset)

The changes in the net pension liability/(asset) of the County for the year ended December 31, 2021 were as follows:

	Increases / Decreases		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balances at December 31, 2020	\$ 205,135,149	\$ 192,194,262	\$ 12,940,887
Changes for the year:			
Service cost	4,001,448	-	4,001,448
Interest	13,283,064	-	13,283,064
Changes of benefit terms	-	-	-
Differences between expected and actual	1,225,863	-	1,225,863
Changes of assumptions	-	-	-
Contributions - employer	-	4,648,159	(4,648,159)
Contributions - employee	-	3,412,228	(3,412,228)
Net investment income (loss)	-	25,050,435	(25,050,435)
Benefit payments, including refunds	(12,207,444)	(12,207,444)	-
Administrative expense	-	(75,961)	75,961
Other changes	-	1,240,933	(1,240,933)
Net changes	6,302,931	22,068,350	(15,765,419)
Balances at December 31, 2021	\$ 211,438,080	\$ 214,262,612	\$ (2,824,532)
Plan fiduciary net position as a percentage of the total pension liability			101.34%

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation performed on January 1, 2021, and rolled forward to December 31, 2021, using the following actuarial assumptions, applied to all periods in the measurement:

Actuarial assumptions:

Investment rate of return	6.50%
Salary increases	3.50%
Inflation	3.00%

Mortality rates were based on the PubG-2010 Mortality Table for males and females with generational mortality improvement using MP-19.

The actuarial assumptions used in the valuation for the 2021 measurement period were based on past experience under the plan and reasonable future expectations which represent the best estimate of anticipated experience under the plan. An actuarial experience study was performed during 2016; however, no modifications to assumptions were made as a result.

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

Changes in Actuarial Assumptions – None for the 2021 measurement period.

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

Long-Term Expected Rate of Return – The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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, 2021:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	30-40%	5.4-6.4%
International equity	12-22%	5.5-6.5%
Fixed income	16-26%	1.3-3.3%
Real estate / Alternative	0-56%	4.5-5.5%
Cash	0-5%	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, 2021, the annual money-weighted rate of return on the Plan investments, net of investment expense, was 14.09%.

Discount Rate – The discount rate used to measure the total pension liability for the Plan was 6.50%. 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/(Asset) to Changes in the Discount Rate – The following presents the net pension liability/(asset) 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 (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Net Pension Liability (Asset)	\$ 20,403,543	\$ (2,824,532)	\$ (23,229,128)

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

Pension Expense and Deferred Outflow of Resources Related to Pensions

For the year ended December 31, 2021, the County recognized pension expense of approximately (\$3,493,555). At December 31, 2021, the County reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ 6,869,163	\$ -
Net difference between projected and actual earnings on pension plan investments	-	14,412,876
Differences between expected and actual experience	<u>1,852,026</u>	<u>-</u>
Total deferred outflows of resources	<u>\$ 8,721,189</u>	<u>\$ 14,412,876</u>

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

<u>Year ending December 31,</u>	
2022	\$ 2,295,540
2023	(2,591,439)
2024	(2,865,147)
2025	<u>(2,530,641)</u>
Total	<u>\$ (5,691,687)</u>

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.

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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 until age 65 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, 2021 measurement date, plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	803
Active employees	<u>183</u>
Total membership	<u><u>986</u></u>

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. Retirees are required to contribute a percentage of premiums that vary by employee groups prior to Medicare eligibility. The County contributions are on a pay-as-you-go basis. The County contributed \$5,336,534 during 2021.

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

Net OPEB Liability

The changes in the net OPEB liability at December 31, 2021 were as follows:

	Increases / Decreases		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balances at December 31, 2020	\$ 50,257,285	\$ 21,980,553	\$ 28,276,732
Changes for the year:			
Service cost	266,119	-	266,119
Interest	3,353,019	-	3,353,019
Changes of benefit terms	(6,211)	-	(6,211)
Differences between expected and actual	(1,105,812)	-	(1,105,812)
Changes of assumptions	(1,050,133)	-	(1,050,133)
Contributions - employer	-	5,336,534	(5,336,534)
Contributions - employee	-	-	-
Net investment income (loss)	-	3,373,974	(3,373,974)
Benefit payments, including refunds	(5,336,534)	(5,336,534)	-
Administrative expense	-	-	-
Other changes	-	-	-
Net changes	(3,879,552)	3,373,974	(7,253,526)
Balances at December 31, 2021	\$ 46,377,733	\$ 25,354,527	\$ 21,023,206
Plan fiduciary net position as a percentage of the total OPEB liability			54.67%

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

Actuarial assumptions - The total OPEB liability was determined by an actuarial valuation as of January 1, 2021 rolled forward to December 31, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial assumptions:

Investment rate of return	7.00%
Salary increases	3.50%
Inflation	2.50%
Health care cost trends	6.00% decreasing to an ultimate rate of 4.04% by 2075
Mortality Table	Pub-2010 General Employees/Retirees Headcount-Weighted Mortality Table projected fully generationally using MP-2021 improvement scale

Changes in assumptions - For 2021, the mortality improvement scale has been updated from MP-2020 to MP-2021, which causes an increase in the County's liability. The health care tend rates were adjusted from an initial rate of 5.4% decreasing to an ultimate rate of 4.04% in 2075, to an initial rate of 6.00% decreasing to an ultimate rate of 4.04% in 2075. This change caused an increase in the County's liability. Percentage of active employees assumed to elect spousal coverage at retirement has been updated from 80% of employees to 50% of employees. The net impact of these changes is a decrease in the County's liability.

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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. The expected inflation is 2.50%. Best estimates of arithmetic real rates of return for each major class included in the target asset allocation for the 2021 measurement period are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	40%	5.1%
International equity	25%	5.5%
Defensive equity	9%	3.9%
Core real estate	10%	4.7%
Infrastructure	5%	5.0%
Fixed income	15%	1.6%

Discount Rate - The discount rate used to measure the net OPEB liability was 7.0% percent. The discount rate, at which future benefit cashflows are discounted, is set as (a) the long-term expected rate of return on OPEB Plan investments to the extent that the OPEB plan assets are projected to be sufficient to make projected benefit payments and expected to be invested using a strategy to achieve that return or (b) the yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale) if the conditions in (a) are not met. The discount rate assumes the County will continue to contribute the full benefit payments plus discretionary amounts in the future. Under this funding scenario, the OPEB Plan investments are expected to be able to pay for all future benefit payments (no depletion date).

Rate of Return - For the year ended December 31, 2021, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 15.80%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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	\$ 26,026,031	\$ 21,023,206	\$ 16,812,056

	Healthcare cost trend rates		
	1% Decrease	Current	1% Increase
Net OPEB Liability	\$ 16,354,238	\$ 21,023,206	\$ 26,564,137

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

The OPEB expense recognized in 2021 was \$(4,342,231). At December 31, 2021, the County reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumption	\$ 871,128	\$ 700,089
Net difference between projected and actual earnings on pension plan investments	-	2,395,477
Differences between expected and actual experience	-	1,900,807
Total deferred outflows of resources	\$ 871,128	\$ 4,996,373

Differences between expected and actual experience was a result of the average remaining service life of active and inactive employees being adjusted to 2.58.

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

The deferred outflows/inflows of resources will be recognized in OPEB expense as follows:

<u>Year Ending</u> <u>December 31,</u>		
2021	\$	(1,570,562)
2022		(1,663,535)
2023		(524,081)
2024		<u>(367,067)</u>
Total	\$	<u>(4,125,245)</u>

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 2021 was \$17,778,839,405.

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 for the year ended December 31, 2021 was 24.3 mills per \$1,000.

Taxes for 2021 were billed in January 2021 and were due on the following schedule: at two percent discount if paid by April 30, 2021; at face value if paid between May 1, 2021 and June 30, 2021; and at 10 percent penalty if paid between July 1, 2021 and January 15, 2021. The County placed liens on all property for which the 2021 tax was not paid by January 15, 2021.

Taxes receivable are reflected on the statement of net position of \$3,197,814, which is net of an allowance for doubtful accounts of \$1,081,101.

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

8. Long-Term Debt

The following is a summary of changes in long-term obligations of the County for the year ended December 31, 2021:

	Balance at December 31, 2020	Additions and Accretion	Payments	Balance at December 31, 2021	Due within one year
Governmental Activities:					
General Obligation Bonds:					
Series of 2007A	\$ 4,066,368	\$ 191,485	\$ -	\$ 4,257,853	\$ -
Series of 2012B	17,605,000	-	280,000	17,325,000	340,000
Series of 2013	4,335,000	-	2,150,000	2,185,000	2,185,000
Series of 2016	8,100,000	-	120,000	7,980,000	185,000
Series of 2017	5,040,000	-	135,000	4,905,000	75,000
Total Long-Term Debt	<u>\$ 39,146,368</u>	<u>\$ 191,485</u>	<u>\$ 2,685,000</u>	<u>\$ 36,652,853</u>	<u>\$ 2,785,000</u>

General obligation debt payable at December 31, 2021 is composed of the following individual issues:

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 sinking fund balance at December 31, 2021 totaled \$107,365 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,

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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 advance refunded with the General Obligation Bonds, Series of 2016.

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

General Obligation Bonds, Series of 2012 B

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 0.30% to 4.00% until maturity. The 2013 Bonds are not subject to optional

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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 1.20 % to 2.80% 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.

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

Annual debt service requirements are as follows:

Years	Governmental Activities	
	Principal	Interest
2022	\$ 2,785,000	\$ 1,008,725
2023	2,885,000	907,201
2024	2,970,000	823,301
2025	3,055,000	736,637
2026	3,145,000	643,738
2027 - 2031	16,765,000	1,768,810
2032 - 2033	7,690,000	298,800
	<u>39,295,000</u>	<u>6,187,212</u>
Accreted interest	<u>(2,642,147)</u>	<u>2,642,147</u>
	<u>\$ 36,652,853</u>	<u>\$ 8,829,359</u>

At December 31, 2021, the County has \$50,000 of defeased debt outstanding relating to the Series 1998 General Obligation Bonds.

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 Fund for benefit claims incurred but unpaid at December 31, 2021. The County has an outstanding claim with a balance of \$697,743 included in accounts payable on the statement of net position at December 31, 2021.

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.

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.

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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. Agreement with Conservation District

The Conservation District entered into a lease agreement with the County for office space in Washington, Pennsylvania. The term of the lease is 20 years, with an option to renew the lease for two additional terms of 20 years under the same terms of the original agreement. The Conservation District agrees to pay the County, as rent, 50% of the total amount received from third-party tenants, payable in monthly installments. The Conservation District paid the County approximately \$28,000 in rent for the year ended December 31, 2021.

The County provided an interest-free loan of \$1,002,855 for 50% of the total cost of construction to be paid back to the County in four equal yearly installments. The Conservation District paid the County the final payment of \$249,601 during 2021.

12. Subsequent Event

During May 2022, the County received American Rescue Plan Act (ARPA) funds of \$49.4 million. This represented the second and final payment from the \$98.8 million awarded in 2021.

**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 (ASSET) AND RELATED RATIOS

YEARS ENDED DECEMBER 31
(Dollar Amounts in Thousands)

	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability:								
Service cost	\$ 4,001,448	\$ 3,959,963	\$ 4,207,118	\$ 4,139,603	\$ 5,633,217	\$ 5,731,291	\$ 1,887,140	\$ 1,647,078
Interest	13,283,064	12,873,660	12,010,056	11,629,427	11,598,318	11,189,569	10,740,724	10,073,103
Changes of benefit terms	-	-	-	-	-	-	-	-
Differences between expected and actual experience	1,225,863	1,534,400	1,219,170	(2,873,355)	42,389	1,278,427	4,021,278	3,086,442
Changes of assumptions	-	14,501,567	-	3,611,843	-	-	6,100,414	1,508,303
Benefit payments, including refunds of member contributions	(12,207,444)	(11,410,021)	(12,321,249)	(10,541,425)	(12,875,616)	(9,296,214)	(7,875,166)	(7,439,450)
Other	-	-	-	-	-	(770,297)	-	-
Net Changes in Total Pension Liability	6,302,931	21,459,569	5,115,095	5,966,093	4,398,308	8,132,776	14,874,390	8,875,476
Total Pension Liability - Beginning	205,135,149	183,675,580	178,560,485	172,594,392	168,196,084	160,063,308	145,188,918	136,313,442
Total Pension Liability - Ending (a)	\$ 211,438,080	\$ 205,135,149	\$ 183,675,580	\$ 178,560,485	\$ 172,594,392	\$ 168,196,084	\$ 160,063,308	\$ 145,188,918
Plan Fiduciary Net Position:								
Contributions - employer	\$ 4,648,159	\$ 4,962,184	\$ 3,909,029	\$ 3,480,100	\$ 4,414,689	\$ 4,610,598	\$ 4,330,962	\$ 3,799,410
Contributions - member	3,412,228	3,226,933	3,044,942	2,934,702	3,643,400	3,701,893	3,637,788	3,440,897
Net investment income	25,050,435	14,317,878	26,342,540	(7,882,790)	21,719,875	10,109,312	(1,380,494)	8,760,353
Benefit payments, including refunds of member contributions	(12,207,444)	(11,410,021)	(12,321,249)	(10,541,425)	(12,875,616)	(9,296,214)	(7,875,166)	(7,439,450)
Administrative expense	(75,961)	(86,911)	(83,791)	(79,808)	(80,949)	(87,797)	(79,148)	(97,514)
Other	1,240,933	2,852,559	1,660,922	187,027	(97,063)	(27,131)	279,905	-
Net Change in Plan Fiduciary Net Position	22,068,350	13,862,622	22,552,393	(11,902,194)	16,724,336	9,010,661	(1,086,153)	8,463,696
Plan Fiduciary Net Position - Beginning	192,194,262	178,331,640	155,779,247	167,681,441	150,957,105	141,946,444	143,032,597	134,568,901
Plan Fiduciary Net Position - Ending (b)	\$ 214,262,612	\$ 192,194,262	\$ 178,331,640	\$ 155,779,247	\$ 167,681,441	\$ 150,957,105	\$ 141,946,444	\$ 143,032,597
Net Pension Liability (Asset) - Ending (a-b)	\$ (2,824,532)	\$ 12,940,887	\$ 5,343,940	\$ 22,781,238	\$ 4,912,951	\$ 17,238,979	\$ 18,116,864	\$ 2,156,321
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	101.34%	93.69%	97.09%	87.24%	97.15%	89.75%	88.68%	98.51%
Covered Payroll	\$ 39,210,795	\$ 38,843,267	\$ 35,867,544	\$ 36,453,702	\$ 49,393,202	\$ 49,478,948	\$ 46,821,026	\$ 45,478,161
Net Pension Liability (Asset) as a Percentage of Covered Payroll	-7.20%	33.32%	14.90%	62.49%	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

	2021	2020	2019	2018	2017	2016	2015	2014
Schedule of Contributions								
Actuarially determined contribution	\$ 4,648,159	\$ 4,962,184	\$ 3,909,029	\$ 3,480,100	\$ 4,414,689	\$ 4,610,598	\$ 4,330,962	\$ 3,799,410
Contributions in relation to the actuarially determined contribution	4,648,159	4,962,184	3,909,029	3,480,100	4,414,689	4,610,598	4,330,962	3,799,410
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 39,210,795	\$ 38,843,267	\$ 35,867,544	\$ 36,453,702	\$ 49,393,202	\$ 49,478,948	\$ 46,821,026	\$ 46,821,026
Contributions as a percentage of covered payroll	11.85%	12.77%	10.90%	9.55%	8.94%	9.32%	9.25%	8.11%
Investment Returns								
Annual money-weighted rate of return, net of investment expense	14.09%	9.85%	18.90%	-4.36%	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 PLAN'S
NET OPEB LIABILITY AND RELATED RATIOS

Last 10 Fiscal Years*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability					
Service cost	\$ 266,119	\$ 293,954	\$ 341,229	\$ 382,458	\$ 367,971
Interest	3,353,019	3,508,074	3,760,044	4,671,245	4,539,742
Change of benefit terms	(6,211)	(23,079)	(160,080)	(290,908)	-
Differences between expected and actual	(1,105,812)	(3,490,797)	(3,701,242)	(15,743,662)	-
Changes of assumptions	(1,050,133)	2,613,386	120,110	1,134,680	-
Benefit payments	(5,336,534)	(4,849,274)	(3,006,613)	(3,248,737)	(3,629,343)
Net change in total OPEB liability	<u>(3,879,552)</u>	<u>(1,947,736)</u>	<u>(2,646,552)</u>	<u>(13,094,924)</u>	<u>1,278,370</u>
Total OPEB liability - beginning	<u>50,257,285</u>	<u>52,205,021</u>	<u>54,851,573</u>	<u>67,946,497</u>	<u>66,668,127</u>
Total OPEB liability - ending	<u>\$ 46,377,733</u>	<u>\$ 50,257,285</u>	<u>\$ 52,205,021</u>	<u>\$ 54,851,573</u>	<u>\$ 67,946,497</u>
Plan Fiduciary Net Position					
Contributions - employer	\$ 5,336,534	\$ 4,849,274	\$ 3,006,613	\$ 8,248,737	\$ 3,629,343
Net investment income	3,373,974	2,171,694	3,262,272	(884,948)	1,691,802
Benefit payments	(5,336,534)	(4,849,274)	(3,006,613)	(3,248,737)	(3,629,343)
Administrative expense	-	-	-	-	(3,930)
Net change in plan fiduciary net position	<u>3,373,974</u>	<u>2,171,694</u>	<u>3,262,272</u>	<u>4,115,052</u>	<u>1,687,872</u>
Plan fiduciary net position - beginning	<u>21,980,553</u>	<u>19,808,859</u>	<u>16,546,587</u>	<u>12,431,535</u>	<u>10,743,663</u>
Plan fiduciary net position - ending	<u>\$ 25,354,527</u>	<u>\$ 21,980,553</u>	<u>\$ 19,808,859</u>	<u>\$ 16,546,587</u>	<u>\$ 12,431,535</u>
Net OPEB liability (asset)	<u>\$ 21,023,206</u>	<u>\$ 28,276,732</u>	<u>\$ 32,396,162</u>	<u>\$ 38,304,986</u>	<u>\$ 55,514,962</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>54.67%</u>	<u>43.74%</u>	<u>37.94%</u>	<u>30.17%</u>	<u>18.30%</u>

* 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 schedules.

COUNTY OF WASHINGTON, PENNSYLVANIA

SCHEDULE OF OPEB PLAN CONTRIBUTIONS AND INVESTMENT RETURNS

Last 10 Fiscal Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Schedule of Contributions										
Actuarially determined contribution	\$ 2,372,950	\$ 2,822,424	\$ 3,226,797	\$ 3,707,528	\$ 5,160,327	\$ 4,827,806	\$ 3,812,275	\$ 5,769,742	\$ 5,406,704	\$ 5,406,704
Contributions in relation to the actuarially determined contribution	<u>5,336,534</u>	<u>4,849,274</u>	<u>3,006,613</u>	<u>8,248,737</u>	<u>3,629,343</u>	<u>3,117,321</u>	<u>4,970,644</u>	<u>5,150,821</u>	<u>2,875,381</u>	<u>2,707,950</u>
Contribution deficiency (excess)	<u>\$ (2,963,584)</u>	<u>\$ (2,026,850)</u>	<u>\$ 220,184</u>	<u>\$ (4,541,209)</u>	<u>\$ 1,530,984</u>	<u>\$ 1,710,485</u>	<u>\$ (1,158,369)</u>	<u>\$ 618,921</u>	<u>\$ 2,531,323</u>	<u>\$ 2,698,754</u>
Investment Returns										
Annual money-weighted rate of return, net of investment expense	15.80%	11.21%	20.18%	-5.12%	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 schedules.

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO REQUIRED SUPPLEMENTARY SCHEDULES

YEAR ENDED DECEMBER 31, 2021

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:

	<u>Employees Plan</u>
Actuarial valuation date	1/1/2021
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar
Remaining amortization period	15 years
Asset valuation method	Market value adjusted for unrecognized gains and losses from prior year
Actuarial assumptions:	
Investment rate of return	6.50%
Projected salary increases	3.50%
Underlying inflation rate	3.00%
Retirement age	Age 60 or 55 with 20 years
Mortality	SOA Pub-2010 for general employees with generational projection using Scale MP-2019.

Change in Actuarial Assumptions

No changes noted for the January 1, 2021 valuation.

In 2020, the accumulated deduction valuation method was changed. The investment return assumption was changed from 6.75% to 6.50%. The Pub-2010 for general employees mortality table was adopted. The cost effect of these changes is an increase in the unfunded actuarial accrued liability of \$11,558,785 and an increase in the actuarially determined contribution of \$894,593.

No changes noted for the January 1, 2019 valuation.

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO REQUIRED SUPPLEMENTARY SCHEDULES

YEAR ENDED DECEMBER 31, 2021

In 2018, the County lowered the valuation interest rate from 7.0% to 6.75%. The effect of the change in the valuation interest rate is an increase in the actuarial accrued liability of \$3,611,843. The change in the actuarially determined contribution is an increase of \$390,322.

No changes noted for the January 1, 2017 or 2016 valuations.

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.

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO REQUIRED SUPPLEMENTARY SCHEDULES

YEAR ENDED DECEMBER 31, 2021

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:

Valuation date:	1/1/2021
Actuarial cost method:	Entry Age Normal
Amortization method:	Level dollar
Amortization period:	27 years
Asset valuation method	Market Value
Healthcare cost trend rates	6.00% from 2021 to 2022 decreasing gradually to an ultimate rate of 4.04% by 2075
Investment rate of return	7.00%
Mortality	Pub-2010 General Employees/Retirees Headcount-Weighted Mortality Table projected fully generationally using MP-2021 improvement scale

Changes in Assumptions

For 2021, the mortality improvement scale has been updated from MP-2020 to MP-2021, which causes an increase in the County's liability. The health care tend rates were adjusted from an initial rate of 5.4% decreasing to an ultimate rate of 4.04% in 2075, to an initial rate of 6.00% decreasing to an ultimate rate of 4.04% in 2075. This change caused an increase in the County's liability. Percentage of active employees assumed to elect spousal coverage at retirement has been updated from 80% of employees to 50% of employees. The net impact of these changes is a decrease in the County's liability.

For 2020, the health care tend rates were adjusted from an initial rate of 5.40% decreasing to an ultimate rate of 3.94% in 2075, to an initial rate of 5.70% decreasing to an ultimate rate of 4.04% in 2075. This change caused an increase in the County's liability. The mortality assumption has been updated from RP-2000 Mortality Table with projected improvement through 2020 for retirees and through 2028 for active participants with no future projected improvements to Pub-2010 General Employees/Retirees Headcount-Weighted Mortality

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO REQUIRED SUPPLEMENTARY SCHEDULES

YEAR ENDED DECEMBER 31, 2021

Table projected fully-generationally using MP-2020 improvement scale. This change caused an increase in the County's liability.

For 2019, the health care trend rates were adjusted from an initial rate of 5.50% decreasing to an ultimate rate of 3.84% in 2075, to an initial rate of 5.40% decreasing to an ultimate rate of 3.94% in 2075. This change caused a decrease in the County's liability.

For 2018, the health care trend rates were adjusted from an initial rate of 5.60% decreasing to an ultimate rate of 3.94% in 2075, to an initial rate of 5.50% decreasing to an ultimate rate of 3.84% in 2075. This change caused a decrease in the County's liability.

Changes in Benefit Terms

For 2021, the retiree contribution requirement for employees in the Sheriffs (DPSA) and Jail (TEAM) bargaining units increased from 12.0% to 12.5%. This change caused a slight decrease in the County's liability.

For 2019, the retiree contribution requirement for employees in the salaried, PSSU and SEIU bargaining units increased from 11.5% to 12.5%. This change caused a decrease in the County's liability.

SUPPLEMENTARY INFORMATION

COUNTY OF WASHINGTON, PENNSYLVANIA

OTHER GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

DECEMBER 31, 2021

	Special Revenue Funds						Capital Projects Funds	Debt Service Fund	Total Other Governmental Funds	
	Airport Operating	Behavioral Health and Developmental Services	Liquid Fuels	Hazardous Materials Emergency Response	Domestic Relations	Emergency Communication 911	Total	Airport Capital Projects		Debt Service
Assets										
Cash and cash equivalents	\$ 23,975	\$ 2,857,121	\$ 1,264,652	\$ 575,330	\$ 215,092	\$ 476,840	\$ 5,413,010	\$ 47,867	\$ 107,365	\$ 5,568,242
Due from other governments	-	69,660	146,126	31,453	1,187,148	1,097,629	2,532,016	718,486	-	3,250,502
Interest and other	9,909	388,603	-	-	57,885	-	456,397	3,055	-	459,452
Loan receivable	-	-	-	-	-	-	-	-	24,728	24,728
Due from other funds	538	-	-	-	7,365	4,590	12,493	-	-	12,493
Prepays and other	-	60	1,208	350	7,847	443,624	453,089	-	-	453,089
Total Assets	\$ 34,422	\$ 3,315,444	\$ 1,411,986	\$ 607,133	\$ 1,475,337	\$ 2,022,683	\$ 8,867,005	\$ 769,408	\$ 132,093	\$ 9,768,506
Liabilities, Deferred Inflows of Resources, and Fund Balance										
Liabilities:										
Accounts payable	\$ 4,471	\$ 2,559,661	\$ 161,453	\$ 33,461	\$ 79,827	\$ 27,043	\$ 2,865,916	\$ 663,568	\$ 13,839	\$ 3,543,323
Accrued payroll and other expenses	-	39,180	28,723	-	152,561	172,586	393,050	-	-	393,050
Unearned revenue	-	716,543	-	13,002	-	-	729,545	-	-	729,545
Due to other funds	5,000	60	-	350	1,207,365	1,446	1,214,221	66,136	-	1,280,357
Total Liabilities	9,471	3,315,444	190,176	46,813	1,439,753	201,075	5,202,732	729,704	13,839	5,946,275
Deferred Inflows of Resources:										
Unavailable revenue - loan repayment	-	-	-	-	-	-	-	-	24,728	24,728
Unavailable revenue - real estate taxes	-	-	-	-	-	-	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-	-	-	-	-	24,728	24,728
Fund Balance:										
Nonspendable:										
Inventories and prepaids	-	-	1,208	350	7,847	443,624	453,029	-	-	453,029
Restricted for:										
Debt service	-	-	-	-	-	-	-	-	93,526	93,526
Domestic relations	-	-	-	-	26,770	-	26,770	-	-	26,770
Liquid fuels	-	-	1,218,602	-	-	-	1,218,602	-	-	1,218,602
Emergency communication	-	-	-	-	-	1,374,433	1,374,433	-	-	1,374,433
Committed for:										
Capital projects	-	-	-	-	-	-	-	39,704	-	39,704
Hazardous materials	-	-	-	558,808	-	-	558,808	-	-	558,808
Airport operations	23,620	-	-	-	-	-	23,620	-	-	23,620
Assigned for:										
Encumbrances	1,331	-	2,000	1,162	967	3,551	9,011	-	-	9,011
Unassigned	-	-	-	-	-	-	-	-	-	-
Total Fund Balance	24,951	-	1,221,810	560,320	35,584	1,821,608	3,664,273	39,704	93,526	3,797,503
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 34,422	\$ 3,315,444	\$ 1,411,986	\$ 607,133	\$ 1,475,337	\$ 2,022,683	\$ 8,867,005	\$ 769,408	\$ 132,093	\$ 9,768,506

COUNTY OF WASHINGTON, PENNSYLVANIA

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

YEAR ENDED DECEMBER 31, 2021

	Special Revenue Funds						Capital Projects Fund	Debt Service Fund	Total Other Governmental Funds	
	Airport Operating	Behavioral Health and Developmental Services	Liquid Fuels	Hazardous Materials Emergency Response	Domestic Relations	Emergency Communication 911	Total	Airport Capital Projects		Debt Service
Revenues:										
Intergovernmental	\$ -	\$ 10,817,168	\$ 4,391,219	\$ 44,690	\$ 2,406,088	\$ 4,402,490	\$ 22,061,655	\$ 1,379,916	\$ -	\$ 23,441,571
Charges for services	-	829,713	-	79,825	-	11,536	921,074	-	-	921,074
Interest	-	546	813	335	-	596	2,290	-	21	2,311
Other	-	2,200	-	5,300	1,154	-	8,654	-	-	8,654
Total revenues	-	11,649,627	4,392,032	130,150	2,407,242	4,414,622	22,993,673	1,379,916	21	24,373,610
Expenditures:										
Current:										
General government - judicial	-	-	-	-	3,657,959	-	3,657,959	-	-	3,657,959
Public safety	-	-	-	156,088	-	4,133,634	4,289,722	-	-	4,289,722
Public works and enterprises	103,815	-	4,775,687	-	-	-	4,879,502	-	-	4,879,502
Human services	-	12,038,230	-	-	-	-	12,038,230	-	-	12,038,230
Debt service:										
Principal	-	-	-	-	-	-	-	-	2,685,000	2,685,000
Interest and fiscal charges	-	-	-	-	-	-	-	-	1,108,894	1,108,894
Capital projects	-	-	-	-	-	-	-	1,341,527	-	1,341,527
Total expenditures	103,815	12,038,230	4,775,687	156,088	3,657,959	4,133,634	24,865,413	1,341,527	3,793,894	30,000,834
Excess (Deficiency) of Revenues Over Expenditures	(103,815)	(388,603)	(383,655)	(25,938)	(1,250,717)	280,988	(1,871,740)	38,389	(3,793,873)	(5,627,224)
Other Financing Sources (Uses):										
Loan repayments	-	-	-	-	-	-	-	-	20,588	20,588
Transfer out	-	-	-	-	-	-	-	-	-	-
Transfers in	100,000	388,603	-	-	1,100,000	-	1,588,603	1,315	3,793,895	5,383,813
Transfers out	-	-	-	-	-	-	-	-	-	-
Total financing sources (uses)	100,000	388,603	-	-	1,100,000	-	1,588,603	1,315	3,814,483	5,404,401
Net Change in Fund Balance	(3,815)	-	(383,655)	(25,938)	(150,717)	280,988	(283,137)	39,704	20,610	(222,823)
Fund Balance:										
Beginning of year	28,766	-	1,605,465	586,258	186,301	1,540,620	3,947,410	-	72,916	4,020,326
End of year	\$ 24,951	\$ -	\$ 1,221,810	\$ 560,320	\$ 35,584	\$ 1,821,608	\$ 3,664,273	\$ 39,704	\$ 93,526	\$ 3,797,503

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, 2021

	Original and Final Budgeted Amounts	Actual Amounts	Variance
Revenues:			
Charges for services	\$ -	\$ -	\$ -
Other	-	-	-
Total revenues	-	-	-
Expenditures:			
Public works and enterprises	100,000	103,815	(3,815)
Excess (Deficiency) of Revenues Over Expenditures	(100,000)	(103,815)	(3,815)
Other Financing Sources (Uses):			
Transfer in	100,000	100,000	-
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ (3,815)</u>	<u>\$ (3,815)</u>

COUNTY OF WASHINGTON, PENNSYLVANIA

SPECIAL REVENUE FUND

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

YEAR ENDED DECEMBER 31, 2021

	Original and Final Budgeted Amounts	Actual Amounts	Variance
Revenues:			
Intergovernmental	\$ 10,808,167	\$ 10,817,168	\$ 9,001
Charges for services	968,656	829,713	(138,943)
Interest	34,872	546	(34,326)
Other	10,200	2,200	(8,000)
Total revenues	11,821,895	11,649,627	(172,268)
Expenditures:			
Human services	12,364,802	12,038,230	326,572
Excess (Deficiency) of Revenues Over Expenditures	(542,907)	(388,603)	154,304
Other Financing Sources (Uses):			
Transfer in	440,000	388,603	(51,397)
Net Change in Fund Balance	<u>\$ (102,907)</u>	<u>\$ -</u>	<u>\$ 102,907</u>

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, 2021

	Original and Final Budgeted Amounts	Actual	Variance
Revenues:			
Intergovernmental	\$ 5,553,873	\$ 4,391,219	\$ (1,162,654)
Interest	16,000	813	(15,187)
Total revenues	<u>5,569,873</u>	<u>4,392,032</u>	<u>(1,177,841)</u>
Expenditures:			
Public works and enterprises: Highways and bridges	<u>6,229,454</u>	<u>4,775,687</u>	<u>1,453,767</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (659,581)</u>	<u>\$ (383,655)</u>	<u>\$ 275,926</u>

COUNTY OF WASHINGTON, PENNSYLVANIA

SPECIAL REVENUE FUNDS

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

YEAR ENDED DECEMBER 31, 2021

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		
Revenues:				
Intergovernmental	\$ 57,000	\$ 57,000	\$ 44,690	\$ (12,310)
Charges for services	98,000	98,000	79,825	(18,175)
Interest	4,500	4,500	335	(4,165)
Other	-	-	5,300	5,300
	<u>159,500</u>	<u>159,500</u>	<u>130,150</u>	<u>(29,350)</u>
Total revenues				
	<u>159,500</u>	<u>159,500</u>	<u>130,150</u>	<u>(29,350)</u>
Expenditures:				
Public safety	149,514	149,514	156,088	(6,574)
	<u>149,514</u>	<u>149,514</u>	<u>156,088</u>	<u>(6,574)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 9,986</u>	<u>\$ 9,986</u>	<u>\$ (25,938)</u>	<u>\$ (35,924)</u>

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, 2021

	Original and Final Budgeted Amounts	Actual Amounts	Variance
Revenues:			
Intergovernmental	\$ 2,348,500	\$ 2,406,088	\$ 57,588
Charges for services	250,000	-	(250,000)
Other	73,797	1,154	(72,643)
Total revenues	<u>2,672,297</u>	<u>2,407,242</u>	<u>(265,055)</u>
Expenditures:			
General government - judicial	<u>3,802,634</u>	<u>3,657,959</u>	<u>144,675</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,130,337)	(1,250,717)	(120,380)
Other Financing Sources (Uses):			
Transfer in	<u>1,100,000</u>	<u>1,100,000</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ (30,337)</u>	<u>\$ (150,717)</u>	<u>\$ (120,380)</u>

COUNTY OF WASHINGTON, PENNSYLVANIA

COMBINING STATEMENT OF FIDUCIARY NET POSITION

ALL CUSTODIAL FUNDS

DECEMBER 31, 2021

Assets	Treasurer	Recorder of Deeds	Prothonotary	Sheriff's Office	Tax Claim	Prison Commissary	Total
Cash and cash equivalents	\$ 28,307	\$ 1,674,378	\$ 408,156	\$ 220,478	\$ 1,633,971	\$ 1,496,002	\$ 5,461,292
Investments:	-	-	-	-	-	-	-
U.S. government and related obligations	-	-	-	-	-	-	-
Common stock	-	-	-	-	-	-	-
Mutual funds - equity	-	-	-	-	-	-	-
Corporate debt	-	-	-	-	-	-	-
Mutual funds - fixed income	-	-	-	-	-	-	-
Exchange-traded funds	-	-	-	-	-	-	-
Mortgage and other asset-backed securities	-	-	-	-	-	-	-
Real estate funds	-	-	-	-	-	-	-
Collective trust fund	-	-	-	-	-	-	-
Private equity fund	-	-	-	-	-	-	-
Receivables:	-	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	46,532	46,532
Interest	-	-	-	-	-	-	-
Total Assets	28,307	1,674,378	408,156	220,478	1,633,971	1,542,534	5,507,824
Liabilities							
Accounts payable	-	-	-	-	-	24,905	24,905
Due to other funds	-	173,832	-	-	-	30,862	204,694
Due to other governments	28,307	1,500,546	-	-	211,876	-	1,740,729
Escrow liability	-	-	408,156	220,478	1,422,095	1,486,767	3,537,496
Total Liabilities	28,307	1,674,378	408,156	220,478	1,633,971	1,542,534	5,507,824
Net Position							
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

COUNTY OF WASHINGTON, PENNSYLVANIA

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

ALL CUSTODIAL FUNDS

YEAR ENDED DECEMBER 31, 2021

	Treasurer	Recorder of Deeds	Prothonotary	Sheriff's Office	Tax Claim	Prison Commissary	Total
Additions:							
Contributions:							
Employer	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employee	-	-	-	-	-	-	-
Total contributions	-	-	-	-	-	-	-
Investment income (loss):							
Net increase (decrease) in fair value of investments	-	-	-	-	-	-	-
Interest and dividends	-	-	-	-	2,088	1,639	3,727
Total investment earnings (loss)	-	-	-	-	2,088	1,639	3,727
Investment expense							
Net investment income (loss)	-	-	-	-	2,088	1,639	3,727
Collections for Other Individuals and Governments:							
Treasurer	312,170	-	-	-	-	-	312,170
Recorder of Deeds	-	32,799,484	-	-	-	-	32,799,484
Prothonotary	-	-	861,367	-	-	-	861,367
Sheriff's Office	-	-	-	3,123,016	-	-	3,123,016
Tax Claim	-	-	-	-	14,215,513	-	14,215,513
Prison Commissary	-	-	-	-	-	1,097,052	1,097,052
Total receipts	312,170	32,799,484	861,367	3,123,016	14,215,513	1,097,052	52,408,602
Total additions	312,170	32,799,484	861,367	3,123,016	14,217,601	1,098,691	52,412,329
Deductions:							
Disbursements:							
Payments to other governments	312,170	30,344,292	133,819	-	10,334,602	-	41,124,883
Payments to other funds	-	2,455,192	629,323	484,358	2,876,960	142,488	6,588,321
Other custodial disbursements	-	-	98,225	2,638,658	1,006,039	956,203	4,699,125
Total deductions	312,170	32,799,484	861,367	3,123,016	14,217,601	1,098,691	52,412,329
Change in Net Position	-	-	-	-	-	-	-
Net Position:							
Beginning of year	-	-	-	-	-	-	-
End of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -