

County of Washington, Pennsylvania

Financial Statements and Required
Supplementary and Supplementary Information

Year Ended December 31, 2012
with Independent Auditor's Report

MaherDuessel
Certified Public Accountants

Pittsburgh | Harrisburg | Butler

Pursuing the profession while promoting the public good®
www.md-cpas.com

COUNTY OF WASHINGTON, PENNSYLVANIA

YEAR ENDED DECEMBER 31, 2012

TABLE OF CONTENTS

Independent Auditor's Report

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 - Health Choices Special Revenue Fund	8
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Behavioral Health and Developmental Services Special Revenue Fund	9
Capital Expenditures Fund - Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	10

COUNTY OF WASHINGTON, PENNSYLVANIA

YEAR ENDED DECEMBER 31, 2012

TABLE OF CONTENTS

(Continued)

Proprietary Funds:

Statement of Net Position - Proprietary Funds	11
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	12
Statement of Cash Flows - Proprietary Funds	13

Fiduciary Funds:

Statement of Fiduciary Net Position - Fiduciary Funds	14
Statement of Changes in Fiduciary Net Position - Fiduciary Funds	15
Notes to the Financial Statements	16

Required Supplementary Information:

Schedule of Funding Progress for the Pension Trust Fund	52
Schedule of Contributions from Employers and Other Contributing Entities for the Pension Trust Fund	53
Schedule of Funding Progress for Other Post-Employment Benefit Plans	54
Notes to Required Supplementary Schedules	55

Supplementary Information:

Combining and Individual Fund Financial Statements:

Other Governmental Funds:

Combining Balance Sheet	57
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	58

COUNTY OF WASHINGTON, PENNSYLVANIA

YEAR ENDED DECEMBER 31, 2012

TABLE OF CONTENTS

(Continued)

Special Revenue Funds:

Airport Operating Fund - Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	59
Liquid Fuels Fund - Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	60
Hazardous Materials Emergency Response Fund - Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	61
Domestic Relations Fund - Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	62
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual – Human Services Special Revenue Fund	63

Capital Projects Funds:

Airport Capital Projects Fund - Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	64
----------------------------------------------------------------------------------------------------------------------	----

Debt Service Fund:

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual – Debt Service Fund	65
----------------------------------------------------------------------------------------------------------	----

Fiduciary Funds:

All Agency Funds:

Combining Balance Sheet	66
Combining Statement of Changes in Assets and Liabilities	67

Independent Auditor's Report

Board of County Commissioners
County Controller
County of Washington, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Washington, Pennsylvania (County), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary

comparisons for the General Fund, Health Choices Fund, Behavioral Health and Developmental Services Fund, and Capital Expenditures Fund for the year then ended in accordance with accounting principles generally accepting in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension information and OPEB information on pages i through xi and 52 through 56, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Maher Duessel

Pittsburgh, Pennsylvania
July 12, 2013

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, 2012. It is recommended that it be read in conjunction with the basic financial statements and the accompanying notes to those statements.

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

Financial Highlights

The General Fund reported an ending fund balance of \$19,477,004, a decrease of \$307,455 from 2011.

The County had \$54,995,429 of general obligation debt as of December 31, 2012. This represents an increase of \$6,158,298 from 2011.

The County had a \$23.1 million unrestricted net position governmental activities as of December 31, 2012, an increase of \$6.4 million from the previous year.

The County began receiving Act 13 funds in 2012. A total of \$4,430,258 was received from an impact fee levied on unconventional gas wells.

The County issued General Obligation Bonds, Series A of 2012 to terminate a swap related to the County's 2002 General Obligation Bonds, and Series B of 2012 to refund two previous issues and to fund various capital projects.

The County has a bond rating of A+ from Standard & Poor's.

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

Overview of the Financial Statements

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

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

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

Government-wide Financial Statements

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

The Statement of Net Position presents all of the County's assets and liabilities, recording the difference between the two 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 2012. Because it separates program revenue from general revenue, it shows to what extent each program relies on real estate taxes, charges for services, and intergovernmental revenues for funding.

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

Both statements report the following activities:

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

Business-type Activities - These include the County Health Center and 911 operations, and intend to recover their costs of operations primarily through user charges.

Fund Financial Statements

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

The County has three types of funds:

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

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

General Fund
Behavioral Health/Developmental Services Fund
Health Choices Fund
Capital Expenditures Fund

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

Proprietary Funds: Proprietary funds are financed and operated in a manner similar to private business enterprises in which costs are recovered primarily through user charges. The type of proprietary fund that the County uses for its Health Center and 911 operations is an Enterprise Fund.

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

Notes to the Financial Statements: Notes to the basic financial statements provide additional information essential to a full understanding of the detail provided in the government-wide and fund financial statements. The notes begin on page 16 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, 2012 and compares it to 2011.

Summary of Net Assets

	Governmental Activities		Business-type Activities	
	2012	2011	2012	2011
Assets:				
Current and other assets	\$ 53,556,227	\$ 49,188,799	\$ 9,164,280	\$ 10,465,946
Capital assets	62,759,001	60,886,609	11,510,688	12,494,674
Total Assets	\$ 116,315,228	\$ 110,075,408	\$ 20,674,968	\$ 22,960,620
Liabilities:				
Current liabilities	\$ 20,658,667	\$ 25,276,107	\$ 5,971,160	\$ 4,734,607
Other liabilities	51,154,979	45,203,016	-	235,000
Total Liabilities	71,813,646	70,479,123	5,971,160	4,969,607
Net Position:				
Invested in capital assets, net of related debt	10,216,125	15,663,957	11,275,688	12,034,674
Restricted	11,201,972	7,228,399	-	-
Unrestricted	23,083,485	16,703,929	3,428,120	5,956,339
Total Liabilities and Net Position	\$ 116,315,228	\$ 110,075,408	\$ 20,674,968	\$ 22,960,620

Net Position

For 2012, net position of governmental activities increased by \$4,905,297 to \$44,501,582. Governmental Activities Unrestricted net position, funds available for operations or payment of long-term debt, increased by \$6,379,556.

Infrastructure Assets

The County's total assets at December 31, 2012 were \$136,990,196. Of this amount, \$74,269,689 is in capital assets, which includes infrastructure. Historically, infrastructure has not been reported or depreciated in government-wide financial statements.

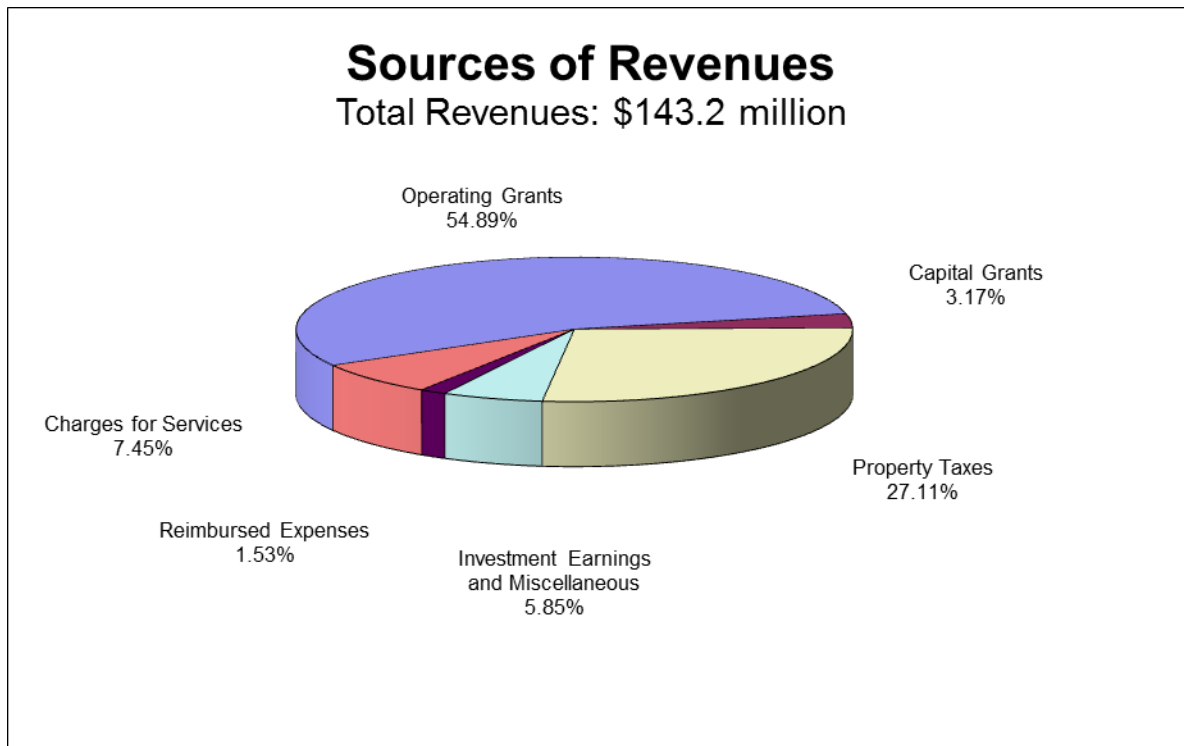
GASB Statement No. 34 requires that all capital assets, including infrastructure, be valued and reported within the governmental activities column of the government-wide financial statement. This statement does permit reporting in two stages. Prospective reporting of infrastructure (Stage #1) is required during the first year, with retroactive reporting (Stage #2) required by the year ended December 31, 2006. The County elected to implement both Stage #1 and Stage #2 in 2003.

**Summary of Changes in Net Position
For the Years Ended December 31, 2012 and 2011**

	Governmental Activities		Business-type Activities	
	2012	2011	2012	2011
Revenues:				
Program revenues:				
Charges for services	\$ 10,666,081	\$ 10,345,172	\$ 26,986,922	\$ 28,450,653
Operating grants and contributions	78,597,660	81,791,640	-	1,927,864
Capital grants and contributions	4,535,431	4,857,760	2,129,448	2,631,471
General revenues:				
Property taxes	38,134,044	38,253,161	-	-
Investment earnings	102,804	161,806	8,516	14,029
Reimbursed expenses	2,192,245	2,444,725	-	-
Miscellaneous	8,272,145	2,314,353	-	-
Total Revenues	142,500,410	140,168,617	29,124,886	33,024,017
Expenses:				
General government	18,685,146	21,229,327	-	-
Judicial	15,305,100	13,538,054	-	-
Public safety	16,409,364	15,007,774	4,752,007	4,772,691
Public works	2,569,989	2,947,938	-	-
Human services	79,493,286	78,989,716	28,260,084	26,506,683
Culture and recreation	1,215,576	860,985	-	-
Conservation and development	241,877	212,359	-	-
Interest on long-term debt	3,074,775	2,727,374	-	-
Total Expenses	136,995,113	135,513,527	33,012,091	31,279,374
Excess (Deficiency) of Revenues over Expenses Before Transfers	5,505,297	4,655,090	(3,887,205)	1,744,643
Transfers	(600,000)	(450,000)	600,000	450,000
Change in Net Position	4,905,297	4,205,090	(3,287,205)	2,194,643
Net Position - Beginning	39,596,285	35,391,195	17,991,013	15,796,370
Net Position - Ending	<u>\$ 44,501,582</u>	<u>\$ 39,596,285</u>	<u>\$ 14,703,808</u>	<u>\$ 17,991,013</u>

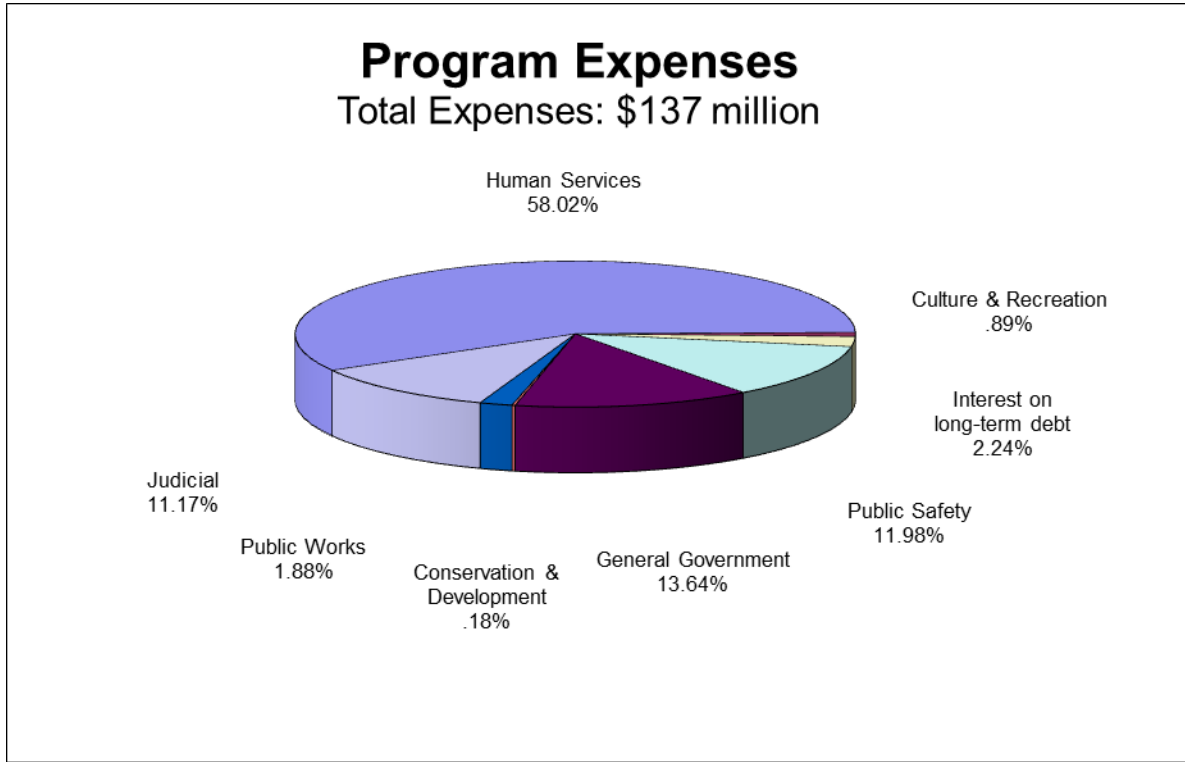
Governmental Activities

The following chart shows the composition of revenues for the year ended December 31, 2012:



Total government-wide revenues of \$143.2 million were derived primarily from program-based operating grants, representing 54.89% of the total. Real estate taxes made up the second largest source of revenue at 27.11%.

The following chart graphically depicts the government-wide program expenses for the year ended December 31, 2012:



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 \$137 million with a net cost of services of \$43.2 million.

Net Cost of Washington County's Governmental Activities For the Years Ended December 31, 2012 and 2011

	Expenses		Program revenues		Net cost of services	
	2012	2011	2012	2011	2012	2011
General Government	\$ 18,685,146	\$ 21,229,327	\$ 4,202,895	\$ 4,150,014	\$ 14,482,251	\$ 17,079,313
Judicial	15,305,100	13,538,054	6,355,645	6,359,772	8,949,455	7,178,282
Public Safety	16,409,364	15,007,774	2,316,500	2,008,762	14,092,864	12,999,012
Public Works	2,569,989	2,947,938	3,522,787	3,426,502	(952,798)	(478,564)
Human Services	79,493,286	78,989,716	76,572,019	79,639,274	2,921,267	(649,558)
Culture and Recreation	1,215,576	860,985	685,395	79,267	530,181	781,718
Conservation and Development	241,877	212,359	143,931	1,330,981	97,946	(1,118,622)
Debt service	3,074,775	2,727,374	-	-	3,074,775	2,727,374
Totals	<u>\$ 136,995,113</u>	<u>\$ 135,513,527</u>	<u>\$ 93,799,172</u>	<u>\$ 96,994,572</u>	<u>\$ 43,195,941</u>	<u>\$ 38,518,955</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, 2012, the County had combined ending fund balances of \$37,529,832, an increase of \$8,524,122 from 2011.

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 2012, the total General Fund balance was \$19,477,004, a decrease of \$307,455 from 2011.

General Fund revenues increased by \$924,140 during 2012, from \$67,365,757 to \$68,289,897, while expenditures in the fund decreased from \$64,953,077 to \$64,195,956. Real estate tax collections had a significant increase.

The Health Choices Fund was designed to introduce an integrated and coordinated health care delivery system to serve medical assistance recipients requiring medical, psychiatric, and substance abuse services through a capitated, mandatory managed-care program. The Health Choices Fund had a year-end balance of \$3,852,261, a decrease of \$42,310 from 2011.

The Behavioral Health/Developmental Services special revenue fund had a year-end balance of \$0. All funds received were expended to provide services to MH/ID clients. Revenues in this fund increased to \$11,706,101 from \$11,669,903 and expenditures increased from \$12,039,903 to \$12,076,101. Beginning with fiscal year 2009-2010, the Pennsylvania Department of Public Welfare stopped allocating Intellectual Disabilities waiver funds to the counties and began making direct payments to providers.

The Capital Expenditures Fund provides for the acquisition or construction of major capital facilities other than those financed by proprietary funds. The year-end fund balance increased by \$7,153,549. Revenues from Act 13 impact fees and natural gas land leases were the primary reasons for the increase.

Proprietary Fund

The County maintains two proprietary funds, both Enterprise Funds, to finance the County Health Center and 911 operations. These Enterprise Funds provide the same type of information found in government-wide financial statements but in greater detail.

Total net position of the Washington County Health Center at December 31, 2012 was \$10,185,037, a decrease of \$2,665,193 from 2011. The facility had an operating loss of \$2,648,027 for 2012. The occupancy rate was over 93% in the 288-bed facility.

Total net position of Emergency Communication 911 operations was \$4,518,771, a decrease of \$622,012 from 2011. The decrease was a result of a significant reduction in grant funds from the previous year.

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, \$406,000 was allocated to departments anticipated to exceed their original budgets. Of this amount, the largest adjustment was for Children & Youth Services. The overall variance between the actual expenditures and the final budget was a positive variance of \$2,225,915.

Revenue Variances

Variances between actual revenue and budgeted revenue for the year reflected a positive variance in the amount of \$2,888,661. This was due to increases in real estate tax collections and charges for services.

Capital Assets and Debt Administration

The County's investment in capital assets, net of accumulated depreciation, amounted to \$74,269,689 as of December 31, 2012.

Summary of Capital Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Balances as of December 31</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land and improvements	\$ 6,107,995	\$ 4,889,030	\$ -	\$ -	\$ 6,107,995	\$ 4,889,030
Buildings and improvements	23,967,575	24,619,007	5,572,761	5,935,650	29,540,336	30,554,657
Furniture, fixtures, and equipment	5,882,872	5,447,019	5,834,211	6,477,607	11,717,083	11,924,626
Infrastructure	23,464,208	20,745,432	-	-	23,464,208	20,745,432
Construction in progress	<u>3,336,351</u>	<u>5,186,121</u>	<u>103,716</u>	<u>81,417</u>	<u>3,440,067</u>	<u>5,267,538</u>
Total	<u>\$ 62,759,001</u>	<u>\$ 60,886,609</u>	<u>\$ 11,510,688</u>	<u>\$ 12,494,674</u>	<u>\$ 74,269,689</u>	<u>\$ 73,381,283</u>

Highlights of amounts expended in 2012 for major capital assets include:

- \$493,000 for development at the County Airport.
- \$509,000 for renovations to County Buildings.
- \$1,457,000 for improvements to the County Parks.
- \$727,000 for improvements to County Bridges.

Long-Term Debt

As of December 31, 2012, the County had outstanding debt of \$54,995,429. This was an increase of \$6,158,098 from the previous year.

Outstanding Debt as of December 31, 2012 and 2011

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
General obligation bonds	\$ 49,234,067	\$ 39,022,307	\$ 235,000	\$ 460,000	\$ 49,469,067	\$ 39,482,307
Lease rental debt	5,526,362	9,354,824	-	-	5,526,362	9,354,824
Total	\$ 54,760,429	\$ 48,377,131	\$ 235,000	\$ 460,000	\$ 54,995,429	\$ 48,837,131

Economic Factors and the 2013 Budget

The real estate tax rate for 2013 remained at 24.9 mills.

The County's 2013 annual required contribution to the Retirement Fund is \$4,059,517.

The \$184 million consolidated budget for 2013 represents a 1.3% increase from 2012.

A County-wide property reassessment is scheduled to begin in the fall of 2013.

Contacting the County's Financial Management

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

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

COUNTY OF WASHINGTON, PENNSYLVANIA

STATEMENT OF NET POSITION

DECEMBER 31, 2012

Assets	Primary Government		
	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 35,053,874	\$ 4,172,144	\$ 39,226,018
Residents' and other restricted funds	-	137,733	137,733
Receivables:			
Taxes receivable, net of allowance	2,151,295	-	2,151,295
Internal balances	255,885	(255,885)	-
Due from other governments	9,262,823	3,373,996	12,636,819
Interest and other	4,965,001	1,577,030	6,542,031
Loans receivable	1,160,840	-	1,160,840
Prepaid assets and other	325,026	159,262	484,288
Capital assets not being depreciated	1,851,573	103,716	1,955,289
Capital assets, net of accumulated depreciation	35,533,292	11,406,972	46,940,264
Infrastructure assets not being depreciated	1,892,778	-	1,892,778
Infrastructure assets, net of accumulated depreciation	23,481,358	-	23,481,358
Deferred bond issue costs	381,483	-	381,483
Total Assets	116,315,228	20,674,968	136,990,196
Liabilities			
Accounts payable	8,849,343	1,273,856	10,123,199
Accrued payroll and other expenses	3,513,673	1,382,076	4,895,749
Accrued interest payable	730,220	-	730,220
Unearned revenue	39,918	39,465	79,383
Net other post-employment benefits obligation	5,325,513	2,903,030	8,228,543
Residents' and other restricted funds	-	137,733	137,733
Bonds payable:			
Amount due within one year	2,200,000	235,000	2,435,000
Amount due in more than one year	52,560,429	-	52,560,429
Net discount on bonds	(435,074)	-	(435,074)
Deferred refunding loss	(970,376)	-	(970,376)
Net bonds payable	53,354,979	235,000	53,589,979
Total Liabilities	71,813,646	5,971,160	77,784,806
Net Position			
Net investment in capital assets, net of related debt	10,216,125	11,275,688	21,491,813
Restricted for:			-
Debt Service	2,885,339	-	2,885,339
Health Choices	3,731,941	-	3,731,941
Human services	1,064,907	-	1,064,907
Liquid fuels	519,785	-	519,785
Capital projects	3,000,000	-	3,000,000
Unrestricted	23,083,485	3,428,120	26,511,605
Total Net Position	\$ 44,501,582	\$ 14,703,808	\$ 59,205,390

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

COUNTY OF WASHINGTON, PENNSYLVANIA

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2012

Functions/Programs	Program Revenues		Net (Expense) Revenue and Change in Net Position		Revenue and Change in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental activities:							
General government - administration	\$ 18,685,146	\$ 3,645,802	\$ 303,528	\$ 253,565	\$ (14,482,251)	\$ -	\$ (14,482,251)
General government - judicial	15,305,100	4,276,729	2,078,916	-	(8,949,455)	-	(8,949,455)
Public safety	16,409,364	1,310,472	1,006,028	-	(14,092,864)	-	(14,092,864)
Public works and enterprises	2,569,989	220	3,182	3,519,385	952,798	-	952,798
Human services	79,493,286	1,373,016	75,199,003	-	(2,921,267)	-	(2,921,267)
Culture and recreation	1,215,576	59,842	7,003	618,550	(530,181)	-	(530,181)
Conservation and development	241,877	-	-	143,931	(97,946)	-	(97,946)
Interest on long-term debt	3,074,775	-	-	-	(3,074,775)	-	(3,074,775)
Total governmental activities	136,995,113	10,666,081	78,597,660	4,535,431	(43,195,941)	-	(43,195,941)
Business-type activities:							
Washington County Health Center	28,260,084	25,587,215	-	-	-	(2,672,869)	(2,672,869)
Emergency Communication 911	4,752,007	1,399,707	-	2,129,448	-	(1,222,852)	(1,222,852)
Total business-type activities	33,012,091	26,986,922	-	2,129,448	-	(3,895,721)	(3,895,721)
Total Primary Government	\$ 170,007,204	\$ 37,653,003	\$ 78,597,660	\$ 6,664,879	(43,195,941)	(3,895,721)	(47,091,662)
General revenues:							
Taxes:							
Property taxes, levied for general purposes, net of uncollectibles					38,134,044	-	38,134,044
Hotel tax					1,500,637	-	1,500,637
Interest					102,804	8,516	111,320
Rents and royalties					1,883,385	-	1,883,385
ACT 13 Impact Fee					4,430,258	-	4,430,258
Payments in lieu of taxes					151,965	-	151,965
Investment gain (loss) on swaption					(327,781)	-	(327,781)
Reimbursed expenses					2,192,245	-	2,192,245
Miscellaneous					633,681	-	633,681
Transfers					(600,000)	600,000	-
Total general revenues					48,101,238	608,516	48,709,754
Change in Net Position					4,905,297	(3,287,205)	1,618,092
Net Position:							
Beginning of year					39,596,285	17,991,013	57,587,298
End of year					\$ 44,501,582	\$ 14,703,808	\$ 59,205,390

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

COUNTY OF WASHINGTON, PENNSYLVANIA

BALANCE SHEET - GOVERNMENTAL FUNDS

DECEMBER 31, 2012

	General	Health Choices	Behavioral Health and Developmental Services	Capital Expenditures	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 18,628,121	\$ 1,180,707	\$ 1,188,175	\$ 9,164,859	\$ 4,892,012	\$ 35,053,874
Receivables:						
Taxes receivable, net of allowance	1,974,243	-	-	-	177,052	2,151,295
Due from other governments	5,516,789	-	216,588	209,900	1,867,804	7,811,081
Interest and other	1,041,892	3,061,496	346,356	492,199	23,058	4,965,001
Loans receivable	-	-	-	-	1,160,840	1,160,840
Total receivables	<u>8,532,924</u>	<u>3,061,496</u>	<u>562,944</u>	<u>702,099</u>	<u>3,228,754</u>	<u>16,088,217</u>
Due from other funds	1,713,990	-	-	3,000	-	1,716,990
Prepays and other	139,275	120,320	-	64,326	1,105	325,026
Total Assets	<u><u>\$ 29,014,310</u></u>	<u><u>\$ 4,362,523</u></u>	<u><u>\$ 1,751,119</u></u>	<u><u>\$ 9,934,284</u></u>	<u><u>\$ 8,121,871</u></u>	<u><u>\$ 53,184,107</u></u>
Liabilities and Fund Balance						
Liabilities:						
Accounts payable	\$ 4,301,598	\$ 510,262	\$ 1,701,296	\$ 777,991	\$ 1,558,196	\$ 8,849,343
Accrued payroll and other expenses	3,290,830	-	49,427	-	173,416	3,513,673
Deferred revenue	1,941,878	-	-	-	1,340,018	3,281,896
Due to other funds	3,000	-	396	5,419	548	9,363
Total Liabilities	<u>9,537,306</u>	<u>510,262</u>	<u>1,751,119</u>	<u>783,410</u>	<u>3,072,178</u>	<u>15,654,275</u>
Fund Balance:						
Nonspendable:						
Inventories and prepaids	139,275	120,320	-	64,326	1,105	325,026
Restricted for:						
Capital projects	-	-	-	3,000,000	-	3,000,000
Debt service	-	-	-	-	2,885,339	2,885,339
Health Choices	-	3,731,941	-	-	-	3,731,941
Human services	-	-	-	-	1,064,907	1,064,907
Liquid fuels	-	-	-	-	519,785	519,785
Committed for:						
Capital projects	-	-	-	6,086,337	-	6,086,337
Hazardous materials	-	-	-	-	248,800	248,800
Airport operations	-	-	-	-	24,758	24,758
Domestic relations	-	-	-	-	302,892	302,892
Assigned for:						
Encumbrances	93,837	-	-	211	2,107	96,155
Unassigned	19,243,892	-	-	-	-	19,243,892
Total Fund Balance	<u>19,477,004</u>	<u>3,852,261</u>	<u>-</u>	<u>9,150,874</u>	<u>5,049,693</u>	<u>37,529,832</u>
Total Liabilities and Fund Balance	<u><u>\$ 29,014,310</u></u>	<u><u>\$ 4,362,523</u></u>	<u><u>\$ 1,751,119</u></u>	<u><u>\$ 9,934,284</u></u>	<u><u>\$ 8,121,871</u></u>	<u><u>\$ 53,184,107</u></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, 2012

Total Fund Balance - Governmental Funds			\$ 37,529,832
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets including infrastructure is \$105,046,554 and the accumulated depreciation is \$42,287,553.			62,759,001
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 deferred in the funds.			2,081,138
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 deferred in the funds.			1,160,840
Government funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of net position.			1,339,260
Long-term liabilities, including bonds payable, accrued interest, and net post-employment benefits obligation, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:			
	Bonds payable	\$ (54,312,756)	
	Accrued interest on bonds	(730,220)	
	Net post-employment benefits obligation	<u>(5,325,513)</u>	<u>(60,368,489)</u>
Total Net Position - Governmental Activities			<u>\$ 44,501,582</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, 2012

	General	Health Choices	Behavioral Health and Developmental Services	Capital Expenditures	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	\$ 35,842,651	\$ -	\$ -	\$ -	\$ 3,149,775	\$ 38,992,426
Intergovernmental	18,697,851	36,048,433	10,577,621	7,078,144	15,697,644	88,099,693
Charges for services	10,561,643	-	1,091,172	887,427	169,106	12,709,348
Fines and forfeits	158,742	-	-	-	-	158,742
Interest	66,320	15,709	2,565	11,258	6,330	102,182
Other	2,962,690	-	34,743	-	528,477	3,525,910
Total revenues	68,289,897	36,064,142	11,706,101	7,976,829	19,551,332	143,588,301
Expenditures:						
Current:						
General government - administration	10,347,529	-	-	-	-	10,347,529
General government - judicial	11,088,921	-	-	-	2,788,239	13,877,160
Public safety	15,193,117	-	-	-	61,581	15,254,698
Public works and enterprises	-	-	-	-	1,679,650	1,679,650
Human services	18,209,432	36,106,452	12,076,101	-	11,966,633	78,358,618
Culture and recreation	205,343	-	-	-	-	205,343
Conservation and development	323,038	-	-	-	-	323,038
Other	8,828,576	-	-	-	-	8,828,576
Debt service:						
Principal	-	-	-	-	2,065,000	2,065,000
Interest and fiscal charges	-	-	-	-	1,507,954	1,507,954
Bond issue costs	-	-	-	-	222,543	222,543
Capital projects	-	-	-	4,322,133	493,135	4,815,268
Total expenditures	64,195,956	36,106,452	12,076,101	4,322,133	20,784,735	137,485,377
Excess (Deficiency) of Revenues Over Expenditures	4,093,941	(42,310)	(370,000)	3,654,696	(1,233,403)	6,102,924
Other Financing Sources (Uses):						
Refunding bonds issued	-	-	-	-	15,700,423	15,700,423
Bonds issued	-	-	-	-	6,595,000	6,595,000
Bond discount	-	-	-	-	(158,095)	(158,095)
Payments to refunded bonds escrow agent	-	-	-	-	(15,355,180)	(15,355,180)
Real estate refunds	(893,717)	-	-	-	-	(893,717)
Swap termination	-	-	-	-	(3,991,000)	(3,991,000)
Loan repayment	-	-	-	-	1,117,412	1,117,412
Operating transfers in	6,355	-	370,000	3,500,000	2,045,181	5,921,536
Operating transfers out	(3,514,034)	-	-	(1,147)	(3,000,000)	(6,515,181)
Total other financing sources (uses)	(4,401,396)	-	370,000	3,498,853	2,953,741	2,421,198
Net Change in Fund Balance	(307,455)	(42,310)	-	7,153,549	1,720,338	8,524,122
Fund Balance:						
Beginning of year	19,784,459	3,894,571	-	1,997,325	3,329,355	29,005,710
End of year	<u>\$ 19,477,004</u>	<u>\$ 3,852,261</u>	<u>\$ -</u>	<u>\$ 9,150,874</u>	<u>\$ 5,049,693</u>	<u>\$ 37,529,832</u>

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

COUNTY OF WASHINGTON, PENNSYLVANIA

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

YEAR ENDED DECEMBER 31, 2012

Net Change in Fund Balance - Governmental Funds \$ 8,524,122

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

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

Capital outlays (net of deletions)	\$ 5,047,778	
Less: Depreciation expense	<u>(3,175,386)</u>	1,872,392

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. Deferred revenues decreased by this amount during the year. (87,815)

Loan repayments that will be collected in future years and, therefore, are not considered as "available" revenues in the governmental funds. Deferred revenues decreased by this amount during the year. (1,036,251)

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 issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term obligations and related items. (2,071,997)

Investment income and loss related to derivative instruments is recognized within the statement of activities. This amount represents the change in the investment in derivative instruments during the year. (327,781)

Liabilities incurred for post-employment benefits are not due and payable in the current period and, therefore, are not reported in the funds. (1,746,397)

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. (220,976)

Change in Net Position of Governmental Activities \$ 4,905,297

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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 34,513,235	\$ 34,513,235	\$ 35,842,651	\$ 1,329,416
Intergovernmental	18,706,501	18,706,501	18,697,851	(8,650)
Charges for services	8,986,000	8,986,000	10,561,643	1,575,643
Fines and forfeits	120,000	120,000	158,742	38,742
Interest	-	-	66,320	66,320
Other	3,075,500	3,075,500	2,962,690	(112,810)
Total revenues	<u>65,401,236</u>	<u>65,401,236</u>	<u>68,289,897</u>	<u>2,888,661</u>
Expenditures:				
Current:				
General government - administration	10,977,805	10,977,805	10,347,529	630,276
General government - judicial	11,767,177	11,767,177	11,088,921	678,256
Public safety	16,706,990	16,706,990	15,193,117	1,513,873
Human services	17,730,796	17,730,796	18,209,432	(478,636)
Culture and recreation	205,493	205,493	205,343	150
Conservation and development	333,038	333,038	323,038	10,000
Other	8,700,572	8,700,572	8,828,576	(128,004)
Total expenditures	<u>66,421,871</u>	<u>66,421,871</u>	<u>64,195,956</u>	<u>2,225,915</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,020,635)</u>	<u>(1,020,635)</u>	<u>4,093,941</u>	<u>5,114,576</u>
Other Financing Sources (Uses):				
Sale of capital assets	6,000	6,000	-	(6,000)
Real estate refunds	(200,000)	(200,000)	(893,717)	(693,717)
Operating transfers in	-	-	6,355	6,355
Operating transfers out	(2,270,000)	(2,270,000)	(3,514,034)	(1,244,034)
Total other financing sources (uses)	<u>(2,464,000)</u>	<u>(2,464,000)</u>	<u>(4,401,396)</u>	<u>(1,937,396)</u>
Net Change in Fund Balance	<u>\$ (3,484,635)</u>	<u>\$ (3,484,635)</u>	<u>\$ (307,455)</u>	<u>\$ 3,177,180</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 HEALTH CHOICES SPECIAL REVENUE FUND

YEAR ENDED DECEMBER 31, 2012

	Original and Final Budgeted Amounts	Actual Amounts	Variance With Final Budget
Revenues:			
Intergovernmental:			
State grant	\$ 38,300,000	\$ 35,280,428	\$ (3,019,572)
Reinvestment	100,000	768,005	668,005
Interest	21,900	15,709	(6,191)
Total revenues	<u>38,421,900</u>	<u>36,064,142</u>	<u>(2,357,758)</u>
Expenditures:			
Human services	<u>36,037,800</u>	<u>36,106,452</u>	<u>(68,652)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 2,384,100</u>	<u>\$ (42,310)</u>	<u>\$ (2,426,410)</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 BEHAVIORAL HEALTH AND DEVELOPMENTAL SERVICES SPECIAL REVENUE FUND

YEAR ENDED DECEMBER 31, 2012

	Original and Final Budgeted Amounts	Actual Amounts	Variance
Revenues:			
Intergovernmental	\$ 11,228,741	\$ 10,577,621	\$ (651,120)
Charges for services	1,203,000	1,091,172	(111,828)
Interest	18,000	2,565	(15,435)
Other	-	34,743	34,743
Total revenues	12,449,741	11,706,101	(743,640)
Expenditures:			
Human services	12,852,414	12,076,101	776,313
Excess (Deficiency) of Revenues Over Expenditures	(402,673)	(370,000)	32,673
Other Financing Sources (Uses):			
Operating transfer in	370,000	370,000	-
Net Change in Fund Balance	\$ (32,673)	\$ -	\$ 32,673

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 CAPITAL EXPENDITURES FUND

YEAR ENDED DECEMBER 31, 2012

	Original and Final Budgeted Amounts	Actual Amounts	Variance
Revenues:			
Intergovernmental	\$ 50,000	\$ 7,078,144	\$ 7,028,144
Charges for service	-	887,427	887,427
Interest	20,000	11,258	(8,742)
Other	450,000	-	(450,000)
Total revenues	520,000	7,976,829	7,456,829
Expenditures:			
Current:			
Capital projects	6,211,000	4,322,133	1,888,867
Excess (Deficiency) of Revenues Over Expenditures			
	(5,691,000)	3,654,696	9,345,696
Other Financing Sources (Uses):			
Bonds issued	7,000,000	-	(7,000,000)
Operating transfers in	500,000	3,500,000	3,000,000
Operating transfers out	(30,000)	(1,147)	28,853
Total other financing sources (uses)	7,470,000	3,498,853	(3,971,147)
Net Change in Fund Balance	\$ 1,779,000	\$ 7,153,549	\$ 5,374,549

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

COUNTY OF WASHINGTON, PENNSYLVANIA

STATEMENT OF NET POSITION PROPRIETARY FUNDS

DECEMBER 31, 2012

Assets	Business-type Activities - Enterprise Funds		
	Washington County Health Center	Emergency Communication 911	Total
Current assets:			
Cash and cash equivalents	\$ 3,375,593	\$ 796,551	\$ 4,172,144
Residents' and other restricted funds	137,733	-	137,733
Receivables due from other governments	3,101,432	272,564	3,373,996
Receivables - other	1,398,878	178,152	1,577,030
Prepaid assets and other	82,453	76,809	159,262
Total current assets	8,096,089	1,324,076	9,420,165
Non-current assets:			
Capital assets not being depreciated	103,716	-	103,716
Capital assets, net of accumulated depreciation	7,527,701	3,879,271	11,406,972
Total Assets	15,727,506	5,203,347	20,930,853
Liabilities			
Current liabilities:			
Accounts payable	1,076,778	197,078	1,273,856
Accrued payroll and related liabilities	1,234,836	147,240	1,382,076
Due to other funds	254,643	1,242	255,885
Deferred revenue	39,465	-	39,465
Residents' and other restricted funds	137,733	-	137,733
Current portion of long-term debt	235,000	-	235,000
Total current liabilities	2,978,455	345,560	3,324,015
Long-term liabilities:			
Net other post-employment benefits obligation	2,564,014	339,016	2,903,030
Total Liabilities	5,542,469	684,576	6,227,045
Net Position			
Net investment in capital assets, net of related debt Unrestricted	7,396,417	3,879,271	11,275,688
	2,788,620	639,500	3,428,120
Total Net Position	\$ 10,185,037	\$ 4,518,771	\$ 14,703,808

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

COUNTY OF WASHINGTON, PENNSYLVANIA

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

YEAR ENDED DECEMBER 31, 2012

	Business-type Activities - Enterprise Funds		
	Washington County Health Center	Emergency Communication 911	Total
Operating Revenues:			
Charges for services and fees	\$ 25,587,215	\$ 1,399,707	\$ 26,986,922
Operating Expenses:			
Patient/client services	27,601,035	-	27,601,035
Public safety	-	1,814,508	1,814,508
Depreciation	634,207	1,018,851	1,653,058
Total operating expenses	28,235,242	2,833,359	31,068,601
Operating Income (Loss)	(2,648,027)	(1,433,652)	(4,081,679)
Non-Operating Revenues (Expenses):			
Wireless 911 grant revenue	-	1,936,371	1,936,371
Wireless 911 grant expenses	-	(1,918,648)	(1,918,648)
Fixed asset expenses	(17,469)	-	(17,469)
Loss on disposal of capital assets	(7,373)	-	(7,373)
Interest income	7,676	840	8,516
Total non-operating revenues (expenses)	(17,166)	18,563	1,397
Income (Loss) Before Fund Transfers	(2,665,193)	(1,415,089)	(4,080,282)
Capital contributions	-	193,077	193,077
Fund transfers in	-	600,000	600,000
Fund transfers out	-	-	-
Change in Net Position	(2,665,193)	(622,012)	(3,287,205)
Net Position:			
Beginning of year	12,850,230	5,140,783	17,991,013
End of year	\$ 10,185,037	\$ 4,518,771	\$ 14,703,808

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

COUNTY OF WASHINGTON, PENNSYLVANIA

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

YEAR ENDED DECEMBER 31, 2012

	Business-type Activities - Enterprise Funds		
	Washington County Health Center	Emergency Communication 911	Total
Cash Flows From Operating Activities:			
Cash received from customers	\$ 26,632,836	\$ 1,194,868	\$ 27,827,704
Cash payments for patient and client services	(26,586,363)	(1,677,422)	(28,263,785)
Net cash provided by (used in) operating activities	46,473	(482,554)	(436,081)
Cash Flows From Capital and Related Financing Activities:			
Purchases of fixed assets	(435,946)	(64,891)	(500,837)
Principal payments on bonds	(225,000)	-	(225,000)
Net cash provided by (used in) capital and related financing activities	(660,946)	(64,891)	(725,837)
Cash Flows From Non-Capital Financing Activities:			
Payments for wireless expenses	-	(1,918,648)	(1,918,648)
Receipt of wireless grant revenue	-	1,936,371	1,936,371
Operating transfers in	-	600,000	600,000
Net cash provided by (used in) non-capital financing activities	-	617,723	617,723
Cash Flows From Investing Activities:			
Interest received on investments	7,676	840	8,516
Net Increase (Decrease) in Cash and Cash Equivalents	(606,797)	71,118	(535,679)
Cash and Cash Equivalents:			
Beginning of year	3,982,390	725,433	4,707,823
End of year	\$ 3,375,593	\$ 796,551	\$ 4,172,144
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:			
Operating income (loss)	\$ (2,648,027)	\$ (1,433,652)	\$ (4,081,679)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	634,207	1,018,851	1,653,058
Change in:			
Accounts receivable	86,034	(42,564)	43,470
Due from other governments	959,587	(162,275)	797,312
Other current assets	(19,805)	(75,358)	(95,163)
Accounts payable	8,986	92,526	101,512
Due to other funds	(3,152)	(844)	(3,996)
Net other post-employment benefits obligation	890,070	104,640	994,710
Accrued salaries/benefits	138,573	16,122	154,695
Net cash provided by (used in) operating activities	\$ 46,473	\$ (482,554)	\$ (436,081)

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

COUNTY OF WASHINGTON, PENNSYLVANIA

STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS

YEAR ENDED DECEMBER 31, 2012

	Employees' Retirement Plan	OPEB Trust Fund	Agency Funds
Assets			
Cash and cash equivalents	\$ 4,018,739	\$ -	\$ 6,383,118
Investments (at fair value):			
U.S. government and related obligations	14,130,230	-	-
Common stock	45,325,836	3,158,248	-
Mutual funds - equity	33,477,222	-	-
Corporate debt	10,359,853	1,748,875	-
Mortgage and other asset-backed securities	4,948,322	-	-
Receivables:			
Interest	260,059	-	-
	112,520,261	4,907,123	6,383,118
Total Assets			
Liabilities			
Accounts payable	86,478	-	-
Due to other funds	-	-	1,451,742
Due to other governments	-	-	1,851,520
Escrow liability	-	-	3,079,856
	86,478	-	6,383,118
Total Liabilities			
Net Position			
Net Position Held in Trust for:			
Pension benefits	112,433,783	-	-
OPEB	-	4,907,123	-
	\$ 112,433,783	\$ 4,907,123	\$ -
Total Net Position			

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

COUNTY OF WASHINGTON, PENNSYLVANIA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUNDS

YEAR ENDED DECEMBER 31, 2012

	Employees' Retirement Plan	OPEB Trust Fund
Additions:		
<hr/>		
Contributions:		
Employer	\$ 3,503,986	\$ -
Employee	3,109,611	-
Total contributions	6,613,597	-
Investment income:		
Net increase in fair value of investments	10,772,854	417,756
Interest and dividends	2,432,631	119,179
Total investment income	13,205,485	536,935
Investment expense	(380,878)	-
Net investment income	12,824,607	536,935
Total additions	19,438,204	536,935
Deductions:		
<hr/>		
Benefits	5,308,044	-
Refunds of contributions	610,277	-
Administrative expense	3,947	-
Total deductions	5,922,268	-
Change in Net Position	13,515,936	536,935
Net Position - beginning of year	98,917,847	4,370,189
Net Position - end of year	\$ 112,433,783	\$ 4,907,124

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, 2012

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 will be included. Consistent with applicable guidance, the criteria used by the County to evaluate the possible inclusion of related entities within its reporting entity are financial accountability and the nature and significance of the relationship. In determining financial accountability in a given situation, the County reviews the applicability of the following criteria:

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

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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 the majority of their governing board appointed by the County Commissioners, without the County being financially accountable for the organization:

Washington County Authority

The Authority was created, pursuant to the Municipality Authorities Act of 1945, primarily as a financing vehicle for County projects. The Authority's officers are appointed by the Commissioners. Debt issued by the Authority on behalf of the County is subject to guarantee by the County. Payments equal to related debt service are made by the County under the terms of a lease agreement. Separately issued audited financial statements of the Authority are available through the Authority's administrative offices. The County does not feel the exclusion of the Authority as a component unit would render the financial statements misleading and therefore, has chosen not to include as a component unit. The Authority was a component unit prior to the adoption of GASB Statement No. 61 during 2012.

Washington County Tourist Promotion Agency

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

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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 are 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 but only in relation to the benefit to the County of the projects that will be funded through the debt proceeds. The County has no legal responsibility for IDA debt.

Washington County Redevelopment Authority

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

Washington County Hospital Authority

The Washington County Hospital Authority (Hospital Authority) issues low interest, tax-exempt bonds to enable capital financing for hospitals and nursing homes. The five members of the Hospital Authority's Board are appointed by the County Commissioners. The Hospital Authority operates independently of any ongoing involvement of the County. The County must approve the concept of any major

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

project of the Hospital Authority, but are not financially accountable for the Hospital Authority. The County has no legal responsibility for Hospital Authority debt.

Washington County Conservation District

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

Washington County Drug and Alcohol Program - Single County

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

Washington/Greene County Job Training Agency

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

Washington County Fair Board

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

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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, that 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. The Transportation Authority's Board operates autonomously from the County and is responsible for the designation of management.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues. Expenses reported for functional activities include allocated indirect expenses.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

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

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

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

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

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

The County reports the following major governmental funds:

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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

The *Behavioral Health and Developmental Services Fund* accounts for expenditures and reimbursement of revenue related to providing treatment services to individuals who suffer from mental disabilities.

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

The County reports the following major proprietary funds:

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

The *Emergency Communication 911 Fund*, an Enterprise Fund, accounts for the operations of the County's emergency communication system, which is funded by phone user charges, County contributions, and State reimbursement for wireless expenses.

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 operation of the County Airport. During 2011, operations of the fund were taken over by the RDA.

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

- 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 *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.

Capital Projects Funds

The Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary funds. Capital Projects Funds utilized by the County include:

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

Debt Service Fund

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

Additionally, the County reports the following fund types:

Fiduciary and Agency Funds

Trust and Agency Funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, and other funds. These include the Employees' Retirement Fund, Other Post-Employment Benefits (OPEB) Trust Fund, 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, 2012

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

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

D. Revenue Classification on Government-Wide Statement of Activities

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include real estate taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Washington County Health Center Enterprise Fund is patient charges and the Emergency Communications 911 Enterprise Fund is funded from charges to customers for services and State grants. Operating expenses for the Enterprise Funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

E. Deposits and Investments

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

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

Investments are stated at fair value.

F. Interfund Transactions

Advances between funds are accounted for in the appropriate interfund receivable and payable accounts. Non-current portions of long-term interfund loans receivable (reported as "Interfund advances receivable" in the General Fund) are equally offset by a fund balance reserve account, which indicates that they do not constitute "available spendable resources" because they are not a component of net current assets.

G. Prepaid Items

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

H. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. These costs are charged to operations when incurred.

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

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

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

Inventories, principally supplies, are accounted for as expenditures when purchased. The amount of inventory at December 31, 2012 is not significant.

I. Long-Term Liabilities

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

In accordance with GASB Statement No. 23, *Accounting and Reporting for Refunding of Debt for Proprietary Activities*, the excess of the reacquisition price over the net carrying amount of refunded debt is recorded as a reduction to long-term debt on the statement of net position and amortized over the shorter of the term of the refunding issue or refunded bonds.

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

J. Compensated Absences

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

K. 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:

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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

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

L. Net Position

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

- Net investment in capital assets - This component of net position consists of capital assets net of accumulated depreciation and is reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
 - Restricted - This component of net position consists of restricted assets reduced by liabilities related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the
-

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

recognition of a liability or if the liability will be liquidated with the restricted assets reported.

- Unrestricted - This component of net position consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

M. Budgets and Budgetary Accounting

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

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

The Commissioners may at any time, by resolution, make supplemental appropriations for any lawful purpose from any funds on hand or estimated to be received within the fiscal year and not otherwise appropriated, including the proceeds of any borrowing now or hereafter authorized by law. The Commissioners may authorize the transfer of any unencumbered balance of any appropriation item or any portion thereof. The legal level of required Commissioner approval of budget amendments is the individual fund level. The Commissioners made several

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

supplementary budgetary appropriations throughout the year. These budget changes are reflected in the applicable budget to actual statements in the final budget amounts.

The Health Choices Special Revenue Fund and Airport Operating Special Revenue Fund incurred actual expenditures that exceeded budgeted appropriations. The excess appropriations were funded primarily by surplus revenue and then by available fund balance.

N. 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.

O. Health Choices Reinvestment Reserves

In accordance with Department of Public Welfare (DPW) regulations, capitation revenues in excess of distributions and expenses may be used for reinvestment planning or risk and contingency. These funds must be segregated from other capitation funds and each kept in a separate account. The balance in the reinvestment account at December 31, 2012 is \$949,213.

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

During 2012, the SW-6 Counties entered into an intergovernmental agreement for the purpose of authorizing the transfer of funds designated for risk and contingency and for medical funding to the Corporation. The County currently has a receivable recorded in the amount of \$3,061,946 in the HealthChoices fund. The receivable represents the amount of cash held by the Corporation on behalf of the County at December 31, 2012. In the agreement effective January 1, 2012 between the SW-6 Counties and VBH-PA, the Counties retained the right to meet the full DPW contractual risk requirements, including insolvency and equity, however the 2012

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

SW-6 Counties and VBH-PA agreement allowed for risk sharing and that option was exercised for 2012. Under this option, the SW-6 Counties were at risk for total medical funds plus 9.50% over the medical funds, then VBH-PA assumed the aggregate risk. Effective January 1, 2013, the SW-6 Counties met the equity and insolvency requirements imposed by DPW using risk and contingency dollars held by the Corporation and allowable financial instruments. This change resulted in VBH-PA moving to an administrative services relationship with the SW-6 Counties from the 2012 risk sharing relationship.

P. Estimates

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

Q. Adoption of Accounting Pronouncement

GASB Statement No. 61, *“The Financial Reporting Entity.”* The objective of this statement is to have financial reporting entity financial statements be more relevant by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity.

GASB has issued Statement No. 62, *“Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.”* The objective of this statement is to codify into the GASB standards guidance located in FASB and AICPA pronouncements.

GASB has issued Statement No. 63, *“Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,”* effective for the year ending December 31, 2012. This statement establishes guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position.

R. Pending Pronouncements

GASB has issued the following statements, which will become effective in future years as shown below. Management has not yet determined the impact of these statements on the County’s financial statements.

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

GASB has issued Statement No. 65, *“Items Previously Reported as Assets and Liabilities,”* effective for periods beginning after December 15, 2012. This statement reclassifies certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. In addition, this statement recognizes certain items currently being reported as assets and liabilities as outflows of resources and inflows of resources.

GASB has issued Statement No. 67, *“Financial Reporting for Pension Plans,”* effective for financial statements for periods beginning after June 15, 2013, and has also issued Statement No. 68, *“Accounting and Financial Reporting for Pensions,”* effective for fiscal years beginning after June 15, 2014. These statements revise existing guidance for the financial reports of most pension plans, and establish new financial reporting requirements for most governments that provide their employees with pension benefits.

GASB has issued Statement No. 69, *“Government Combinations and Disposals of Government Operations,”* effective for financial statements for periods beginning after December 15, 2013. This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations.

S. Subsequent Events

Subsequent events have been evaluated through the Independent Auditor’s Report date, which is the date the financial statements were available to be issued.

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.

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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

GASB Statement No. 40, "*Deposit and Investment Risk Disclosures*," requires disclosures related to the following deposits and investment risks: credit risks (including custodial credit risk and concentrations of credit risk), interest rate risk, and foreign currency risk. 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, 2012, \$1,515,551 of the County's \$30,140,459 bank balance was insured by the Federal Deposit Insurance Corporation. The remaining bank balance of \$28,624,908 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 \$29,254,579 as of December 31, 2012 and are classified as cash and cash equivalents in the statement of net position.

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

The County uses an external investment pool to ensure safety and maximize efficiency, liquidity, and yield for County funds. These funds are invested in the Pennsylvania Local Government Investment Trust (PLGIT), and INVEST, which separately issues audited financial statements that are available to the public. The fair value of the County's position in the external investment pool is equivalent to the value of the pool shares. The Commonwealth of Pennsylvania provides external regulatory oversight for the external investment pool. As of December 31, 2012, the bank balances of the investments in PLGIT and INVEST are \$8,653,770 and \$200,961, respectively. The carrying value of the investments in PLGIT and INVEST of \$8,495,931 and \$200,961, respectively, is considered to be a cash equivalent for presentation on the statement of net position and governmental fund balance sheet.

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

In addition, included in cash and cash equivalents, the County also has money market investments with a carrying amount of \$1,274,547, which are invested in short-term U.S. treasury instruments and government agencies. The bank balance of the investments in money market funds is \$1,274,547, which are 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, 2012, the County's investments in PLGIT and INVEST have received an AAAM rating from Standard & Poor's.

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

Agency Funds

The County maintains bank accounts for the elected row officers and other County offices. The balance of these accounts is reflected in the statement of fiduciary net position. Receipts and disbursements for these programs were \$50,365,239 and \$50,314,226, respectively, for the year December 31, 2012. The carrying amount of deposits for the row offices and other County offices was \$6,383,118 and the bank balance was \$6,549,167. Of the bank balance, \$235,705 was covered by federal depository insurance. The remaining balance of \$6,313,462 was collateralized in accordance with Act 72 of the Pennsylvania state legislature, which requires the institution to pool collateral for all governmental deposits and has the collateral held by an approved custodian in the institution's name.

Employees' Pension Plan

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

As of December 31, 2012, the County had the following cash equivalents and investments in its Plan:

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

Cash or Investment Type	Fair Market Value	Investment Maturities from December 31, 2012				
		Less than 1 year	1-5 Years	6-10 Years	11-15 Years	16 or more Years
U.S. government and related obligations	\$ 14,130,230	\$ 1,904,928	\$ 6,656,844	\$ 2,906,499	\$ 1,171,085	\$ 1,490,874
Corporate debt	10,359,853	485,197	5,557,697	4,019,190	297,769	-
Mortgage and other asset-backed securities	4,948,322	-	3,692,853	410,755	82,265	762,449
Total debt securities	29,438,405	\$ 2,390,125	\$ 15,907,394	\$ 7,336,444	\$ 1,551,119	\$ 2,253,323
Cash and cash equivalents	4,018,739					
Common stock	45,325,836					
Mutual funds - equity	33,477,222					
Total cash and investments reported on statement of fiduciary net position	\$ 112,260,202					

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

Credit risk - The risk that an issuer or other counterparty to an investment will not fulfill its obligations is called credit risk. The Plan 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, 2012, the Plan investments in fixed income bonds have received the following ratings from Moody's:

Credit Quality Distribution for Securities with Credit Exposure

Investment Type	Moody's Rating	Market Value	Percentage of Total Plan Bonds
Fixed Income Bonds	Aaa	\$ 12,017,550	40.8%
Fixed Income Bonds	Aa1	137,376	0.5%
Fixed Income Bonds	Aa2	692,039	2.4%
Fixed Income Bonds	Aa3	977,155	3.3%
Fixed Income Bonds	Unrated	15,614,285	53.0%
		<u>\$ 29,438,405</u>	<u>100%</u>

Custodial Credit Risk - Custodial credit risk is the risk that in the event of the failure of the bank or counterparty, the Plan will not be able to recover the value of their deposits or investments or collateral securities that are in the possession of an outside entity. The Plan does not have a formal deposit or investment policy for custodial credit risk. As of December 31, 2012, the Plan investment balance, excluding mutual funds, of \$33,477,222 (bank and book balance), was exposed to custodial credit risk. Plan investments in mutual funds are not exposed to

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.

Concentration of Credit Risk - The County places no limit on the amount the Plan may invest in any one issuer. At December 31, 2012, the Plan had 13.66% invested in the American New Perspective Fund, with a market value of \$15,333,413, and 6.30% invested in the Dodge & Cox International Fund, with a market value of \$7,069,601.

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

Other Post-Employment Benefits (OPEB)

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

As of December 31, 2012, the County had the following investments in its OPEB Funds:

<u>Cash or Investment Type</u>	<u>Fair Market Value</u>
Corporate debt	\$ 1,748,875
Common stock	3,158,248
Total cash and investments reported on statement of fiduciary net position	\$ 4,907,123

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. As of December 31, 2012, the OPEB Funds' investments in fixed income bonds have received the following ratings from Moody's:

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

Credit Quality Distribution for Securities with Credit Exposure

<u>Investment Type</u>	<u>Moody's Rating</u>	<u>Market Value</u>	<u>Percentage of Total Pension Trust Fund Bonds</u>
Fixed Income Bonds	B2	<u>\$ 1,748,875</u>	<u>100.0%</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, 2012, the County's OPEB investment balance of \$4,907,123 was exposed to custodial credit risk.

Concentration of Credit Risk - The County places no limit on the amount the County may invest in any one issuer. At December 31, 2012, the County had 12.64% of OPEB Funds invested in the Vanguard Fixed Income Securities FD Inc Inflation-Protected Securities FD Admiral Fund with a market value of \$620,053, and 23.00% of OPEB Funds invested in the Vanguard Total Bond Market Index Signal Fund with a market value of \$1,128,822.

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

3. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

Transfers out of the General Fund represent local share of costs paid to other funds. The transfer in on the Capital Expenditures Fund represents current year bond proceeds from the Debt Service Fund. Individual funds receivable and payable balances at year-end and transfers at December 31, 2012 were as follows:

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

Fund	Interfund Receivables	Interfund Payables
Major Funds:		
General	\$ 1,713,990	\$ 3,000
Health Choices	-	-
Washington County Health Center	-	254,643
Capital Expenditures	3,000	5,419
BHDS	-	396
Emergency Communication 911	-	1,242
Other governmental funds	-	548
Agency Funds	-	1,451,742
	\$ 1,716,990	\$ 1,716,990

Fund	Transfer In	Transfer Out
Major Funds:		
General	\$ 6,355	\$ 3,514,034
BHDS	370,000	-
Capital Expenditures	3,500,000	1,147
Emergency Communication 911	600,000	-
Other governmental funds	2,045,181	3,000,000
Agency Funds	-	6,355
	\$ 6,521,536	\$ 6,521,536

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2012 was as follows:

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

	Balance at January 1, 2012	Increases	Decreases	Balance at December 31, 2012
Governmental Activities:				
Land and improvements	\$ 9,839,117	\$ 1,766,057	\$ -	\$ 11,605,174
Buildings and improvements	45,882,637	417,755	-	46,300,392
Infrastructure	26,418,140	3,250,755	-	29,668,895
Furniture and equipment	12,743,683	1,462,981	70,922	14,135,742
Construction in progress	5,186,121	2,405,269	4,255,039	3,336,351
	100,069,698	9,302,817	4,325,961	105,046,554
Less accumulated depreciation for:				
Land and improvements	4,950,087	547,092	-	5,497,179
Buildings and improvements	21,263,630	1,069,187	-	22,332,817
Infrastructure	5,672,708	531,979	-	6,204,687
Furniture and equipment	7,296,664	1,027,128	70,922	8,252,870
	39,183,089	3,175,386	70,922	42,287,553
Governmental activities capital assets, net	\$ 60,886,609	\$ 6,127,431	\$ 4,255,039	\$ 62,759,001
	Balance at January 1, 2012	Increases	Decreases	Balance at December 31, 2012
Business-type Activities:				
Buildings and improvements - Health Center	\$ 14,047,986	\$ 36,653	\$ -	\$ 14,084,639
Permanent fixtures - Health Center	1,219,556	37,057	-	1,256,613
Movable equipment - Health Center	3,877,993	324,139	117,845	4,084,287
Emergency management building	489,688	-	-	489,688
Emergency management equipment	11,189,435	245,915	-	11,435,350
Construction in progress	81,417	22,299	-	103,716
	30,906,075	666,063	117,845	31,454,293
Less accumulated depreciation for:				
Buildings and improvements - Health Center	8,112,336	399,542	-	8,511,878
Movable equipment - Health Center	3,260,096	234,665	108,801	3,385,960
Emergency management	7,038,969	1,018,851	12,053	8,045,767
	18,411,401	1,653,058	120,854	19,943,605
Business-type activities capital assets, net	\$ 12,494,674	\$ (986,995)	\$ (3,009)	\$ 11,510,688

Depreciation expense was charged to functions/programs of the primary government as follows:

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

<u>Governmental Activities:</u>	
General government - administration	\$ 1,617,315
General government - judicial	369,528
Public safety	575,039
Public works and enterprises	551,870
Human services	33,479
Culture and recreation	<u>28,155</u>
Total depreciation expense - governmental activities	<u>\$ 3,175,386</u>
 <u>Business-type Activities:</u>	
Washington County Health Center	\$ 634,207
Emergency Communication 911	<u>1,018,851</u>
Total depreciation expense - business-type activities	<u>\$ 1,653,058</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. All County employees become eligible to become plan participants immediately upon becoming an employee. Membership in the plan is optional for elected officials. The plan requires each member to contribute a percentage of their salary to the plan. The plan provides retirement, disability, and death benefits to plan members and their beneficiaries. Cost-of-living adjustments (COLA) are provided at the discretion of the Washington County Employees' Retirement Board. Separate stand-alone financial statements are issued for the plan and may be obtained from the County Controller's Office.

At January 1, 2013, the date of the most recent valuation, participants in the plan were as follows:

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

Participants:	
Retirees and beneficiaries	601
Deferred vested	59
Active plan members:	
Vested	672
Nonvested	385
Total	<u>1,717</u>

Summary of Significant Accounting Policies

Financial information of the County's plan is presented on the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due as required by the Act. Benefits and refunds are recognized when due and payable in accordance with the terms of the individual plan.

Investments of the plan are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

The actuarial value of assets equals the market value of assets adjusted for unrecognized gains and losses from prior years. Gains and losses are determined by calculating the expected asset return based on Fund assumptions and subtracting the actual fund return. Gains and losses are phased in 20% per year over a 5 year period. The actuarial value of assets is adjusted, if necessary to fall within a corridor of 80% to 120% of market value of assets.

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.

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

As a condition of participation, employees are to contribute between 7% and 17% (currently 7%) of their salary as stipulated in the Act. Interest is credited to employee accounts each year at the annual rate of 5.5% as voted upon by the County Retirement Board.

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

The County's annual required contribution to the Plan for 2012 was \$3,503,986

The County's annual pension cost and related information for the Plan is as follows:

Annual pension cost	\$ 3,503,986
Contributions made	\$ 3,503,986
Actuarial valuation date	1/1/2013
Amortization method	Level Percentage Closed
Amortization period	30 years Closed
Actuarial cost method	Entry Age
Asset valuation method	5-Year Smoothed Market
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases	3.50%
Underlying inflation rate	3.00%

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

Trend Information

<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
12/31/2010	\$ 3,581,228	100.0%	\$ -
12/31/2011	3,750,578	100.0%	-
12/31/2012	3,503,986	100.0%	-

Funded Status

The County's funded status and related information for the Plan as of the latest actuarial valuation date, January 1, 2013, is as follows:

<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) Entry Age</u>	<u>Excess of Assets Over (Under) AAL</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Excess as a Percentage of Covered Payroll</u>
\$ 108,742,525	\$ 131,437,552	\$ (22,695,027)	82.73%	\$ 43,872,991	(51.73)%

The required schedule of funding progress, included as required supplementary information, immediately follows the notes to financial statements and presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The Plan is invested in various types of financial instruments. This diversification of the investment portfolio serves to assist in mitigating the various types of risks associated with different types of financial instruments. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments could occur and that such a change could materially affect the amount reported on the statement of fiduciary net position.

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

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

post-employment benefit plan (plan) is accounted for as a trust fund and an irrevocable trust has been established; however, the plan does not issue a separate report

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

Funding Policy. The County's contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2012, total cash disbursements for other post-retirement benefit for current retirees or their dependents totaled \$2,707,950. Active employees' contributions for medical, dental, or vision insurances vary per contract and position.

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

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

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

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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

Annual required contribution	\$ 5,406,704
Interest on net OPEB obligation	418,784
Adjustment to annual required contribution	<u>(472,786)</u>
Annual OPEB cost	5,352,702
Benefits paid	(2,707,950)
Other adjustment to OPEB obligation	<u>96,355</u>
Increase (decrease) in net OPEB obligation	2,741,107
Net OPEB obligation (asset), beginning of year	<u>5,487,436</u>
Net OPEB obligation (asset), end of year	<u>\$ 8,228,543</u>

Actuarial valuation date	1/1/2012
Actuarial cost method	Projected Unit Credit
Amortization method	Level dollar, open
Asset valuation method	Market Value
Remaining amortization period	30 years
Actuarial assumptions:	
Projected salary inflation *	N/A
Investment rate of return *	7.5%
Health care inflation rates	6.2% initial, 3.8% ultimate
* Includes inflation at	3.0%

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

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

The schedule of funding progress as of the latest actuarial valuation date, January 1, 2012, for the post-employment healthcare benefits is as follows:

Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Accrued Liability (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b)-(a)]/(c)
\$ 4,370,190	\$ 54,645,928	\$ 50,275,738	8.0%	\$ 42,103,161	119.4%

Three-Year Trend Information

Year Ending	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation (Asset)
December 31, 2012	\$ 5,352,702	51%	\$ 8,228,543
December 31, 2011	4,312,648	165%	5,487,436
December 31, 2010	4,445,542	50%	8,282,917

7. REAL ESTATE TAXES

The County's property tax is levied each January 1 on the assessed values as of the prior November 15 for all real property located in the County. The assessed value at December 2011, upon which the 2012 levy was based, was \$1,573,020,629.

The County is limited by the laws of the Commonwealth of Pennsylvania to levy taxes up to \$25.00 per \$1,000 of assessed valuation for General Government Services, and limited to \$10.00 per \$1,000 of valuation for payment of rentals to any municipality and is unlimited for the payment of principal and interest on long-term debt. The tax rate to finance General Government Services other than the payment of principal and interest on long-term debt for the year ended December 31, 2012, was 22.85 mills per \$1,000. The tax rate to finance the payment of principal and interest on long-term debt for the year ended December 31, 2012 was 2.05 mills per \$1,000.

Taxes for 2012 were billed in January 2012 and were due on the following schedule: at two percent discount if paid by March 31, 2012; at face value if paid between April 1, 2012 and June 30, 2012; and at 10 percent penalty if paid between July 1, 2012 and January 15, 2013. The County placed liens on all property for which the 2012 tax

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

was not paid by January 15, 2013. Current tax collections for the year ended December 31, 2012 were approximately 96 percent of the tax levy.

Taxes receivable are reflected on the statement of net position net of an allowance for doubtful accounts of \$718,744.

8. LONG-TERM DEBT

The following is a summary of changes in long-term obligations of the County for the year ended December 31, 2012:

	Balance at December 31, 2011	Additions and Accretion	Refundings	Payments	Balance at December 31, 2012	Due within one year
Governmental Activities:						
Guaranteed Lease Revenue Bonds, Series of 1992	\$ 9,354,824	\$ 360,219	\$ 2,843,681	\$ 1,345,000	\$ 5,526,362	\$ -
General Obligation Bonds, Series of 1998*	(460,000)	-	-	(225,000)	(235,000)	(185,000)
General Obligation Bonds, Series of 2002A	11,780,000	-	11,780,000	-	-	-
General Obligation Bonds, Series of 2003	4,800,000	-	-	50,000	4,750,000	50,000
General Obligation Bonds, Series of 2003A	4,745,000	-	-	615,000	4,130,000	635,000
General Obligation Bonds, Series of 2007A	14,707,507	126,560	-	105,000	14,729,067	110,000
General Obligation Bonds, Series of 2007B	3,450,000	-	-	175,000	3,275,000	175,000
General Obligation Bonds, Series of 2012A	-	3,595,000	-	-	3,595,000	1,415,000
General Obligation Bonds, Series of 2012B	-	18,990,000	-	-	18,990,000	-
Total Long-Term Debt	<u>\$ 48,377,331</u>	<u>\$ 23,071,779</u>	<u>\$ 14,623,681</u>	<u>\$ 2,065,000</u>	<u>\$ 54,760,429</u>	<u>\$ 2,200,000</u>
Business-type Activities:						
General Obligation Bonds, Series of 1998*	<u>\$ 460,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 225,000</u>	<u>\$ 235,000</u>	<u>\$ 235,000</u>

* The refunding of the General Obligation Bonds, Series of 1998 was applied against the governmental activities portion of the debt as payment terms from the Washington County Health Center to the County remained unchanged as a result of the County's refunding payments. These excess amounts will be applied by the County to other debt service.

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

General obligation debt payable at December 31, 2012 is composed of the following individual issues:

Guaranteed Lease Revenue Bonds, Series of 1992

The County has guaranteed the Series of 1992 Revenue Bonds (1992 Authority Bonds) of the Washington County Authority (Authority), with an original principal amount of \$17,162,970. These 1992 Authority Bonds were issued primarily to finance capital projects. Portions of the 1992 Authority Bonds were refunded by the Guaranteed Lease Revenue Refunding Bonds, Series A of 1993, which were later retired, and by the General Obligation Bonds, Series 2002A, which were retired in 2012. Another portion of the bonds, \$4,777,357, was advance refunded with the General Obligation Bonds, Series 2007A. In 2012, another portion of the bonds, \$2,843,681, was advance refunded with the General Obligation Bonds, Series 2012B. After consideration of the refundings, the 1992 Authority Bonds consist currently of Capital Appreciation Bonds with an aggregate original issuance amount of \$7,790,000 with maturity values of \$840,000 to \$1,865,000 annually through 2020 issued to yield rates from 6.35% to 6.85%. The Capital Appreciation Bonds accrue and compound interest on a semi-annual basis and are carried at cost plus accrued interest. Total maturity value of the Capital Appreciation Bonds is \$29,190,000.

General Obligation Bonds, Series of 1998

At December 31, 2012, the balance of the 1998 Bonds payable was \$0, as the bonds were currently refunded with the proceeds of General Obligation Bonds, Series 2007A.

General Obligation Bonds, Series of 2003

On March 15, 2003, the County issued \$8,125,000 of General Obligation Bonds, Series of 2003 (2003 Bonds). The proceeds of the 2003 Bonds were used to currently refund the County's Guaranteed Lease Revenue Refunding Bonds, Series A of 1993. A portion of the 2003 Bonds, \$825,000, was advance refunded with the General Obligation Bonds, Series 2007C.

Interest payments are payable semi-annually on June 1 and December 1 with rates ranging from 4% to 5% until maturity. The 2003 Bonds have a final maturity date on June 1, 2022. The 2003 Bonds that mature on and after June 1, 2022 are subject to redemption prior to maturity, at the option of the County, on December 1, 2013 or on any date thereafter, as specified in the 2003 Bonds issuance offering statement.

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

General Obligation Bonds, Series of 2003A

On July 1, 2003, the County issued \$8,305,000 of General Obligation Bonds (2003A Bonds). The proceeds of the 2003A Bonds were used to advance refund \$7,400,000 principal amount of the County's 1998 Bonds.

Interest payments are payable semi-annually on March 1 and September 1 with rates ranging from 1.50% to 4.20% until maturity. The 2003A Bonds have a final maturity date on September 1, 2022. The 2003A Bonds that mature on and after September 1, 2014 are subject to redemption prior to maturity, at the option of the County, on September 1, 2013 or on any date thereafter.

Washington County Note Payable

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

During 2007, a sinking fund was established by the County related to loans previously reported in the County loan pool. Monthly principal and interest payments made by the local municipalities are deposited into the County's sinking fund, the balance of which, together with any investment earnings, is used to pay amounts due on the General Obligation Bonds, Series 2007B. The sinking fund balance at December 31, 2012 totaled \$1,274,547 and is reported as cash and cash equivalents on the balance sheet.

General Obligation Bonds, Series of 2007A, B, and C

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

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

A portion of the Series 2007A Bonds consist of Capital Appreciation Bonds with an aggregate original issuance amount of \$2,215,220 with maturity values of \$3,475,000 and \$3,425,000 which mature in 2031 and 2032, respectively, issued to yield rates of 4.65% and 4.66%, respectively. The Capital Appreciation Bonds accrue and compound interest on a semi-annual basis and are carried at cost plus accrued interest. The 2007C Series was paid in full during 2008.

General Obligation Bonds, Series of 2012 A

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

Interest payments are payable semi-annually on March 1 and September 1 with rates ranging from 1.11% to 1.51% until maturity. The 2012 A Bonds have a final maturity date on September 1, 2015.

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. The cash flow savings and economic benefit from the refunding was approximately \$2.5 million.

Annual debt service requirements are as follows:

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

Years	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2013	\$ 2,200,000	\$ 1,732,742	\$ 235,000	\$ 11,750
2014	2,255,000	1,682,909	-	-
2015	2,300,000	1,645,085	-	-
2016	2,360,000	1,607,064	-	-
2017	2,390,000	1,573,679	-	-
2018-2022	12,685,000	7,131,168	-	-
2023-2027	14,930,000	5,018,542	-	-
2028-2032	13,470,220	6,497,851	-	-
2033	3,835,000	145,000	-	-
	56,425,220	27,034,040	235,000	11,750
Accreted interest	(1,664,791)	1,664,791	-	-
	<u>\$ 54,760,429</u>	<u>\$ 28,698,831</u>	<u>\$ 235,000</u>	<u>\$ 11,750</u>

At December 31, 2012, the County has \$8,985,000 of defeased debt outstanding relating to the various debt issuances.

9. CONTINGENCIES

At year-end, various claims have been paid and closed where others are outstanding relating to workers' compensation injuries under existing insurance policies. Provisions are recorded in the General and Enterprise funds for benefit claims incurred but unpaid at December 31, 2012. For one particular claim the county has accrued a liability of \$1 million, which represents the full amount of the County's insurance deductible, due to the probability of loss on the claim.

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

The County has been ordered by the court to conduct a reassessment of properties as a result of a filing by local school districts. Costs of complying with the court order

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

are estimated to be \$7 million to \$8 million. The County anticipates issuing debt in order to conduct the reassessment during 2013.

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

10. RISK MANAGEMENT

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

11. GUARANTEE OF DEBT

The County guarantees the debt service payments of the Fair Board bank loan. The original amount borrowed by the Fair Board was \$600,000. For the year ended December 31, 2012, principal and interest payments totaled \$50,032. The balance outstanding was approximately \$170,640 at December 31, 2012, with an interest rate of 3.3%. During 2012, the County made no contributions to the Fair Board. County management does not anticipate any contributions being required in the future. The loan has a maturity date of September 1, 2016.

**Required Supplementary
Information**

COUNTY OF WASHINGTON, PENNSYLVANIA

SCHEDULE OF FUNDING PROGRESS FOR THE EMPLOYEES' RETIREMENT PLAN

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Excess (Deficiency) of Assets Over (Under) AAL	Funded Ratio	Covered Payroll	Excess (Deficiency) as a Percentage of Covered Payroll
1/1/2013	\$ 108,742,525	\$ 131,437,552	\$ (22,695,027)	82.73%	\$ 43,872,991	(51.73%)
1/1/2012	104,740,018	124,145,038	(19,405,020)	84.37%	42,103,161	(46.09%)
1/1/2011	95,337,039	118,310,447	(22,973,408)	80.58%	40,421,525	(56.83%)
1/1/2010	90,805,227	112,823,135	(22,017,908)	80.48%	40,609,970	(54.22%)
1/1/2009	95,604,856	107,377,133	(11,772,277)	89.04%	40,348,624	(29.18%)
1/1/2008	109,901,392	101,474,649	8,426,743	108.30%	38,272,892	22.02%

Source: Actuarial reports

Note - Effective January 1, 2012, the asset valuation method has been changed from a five year smoothing method based on the ratio of market to cost value of assets to a five year smoothing method based on an increasing percentage of recognized gains and losses relative to expected return. The effect of this change is that the actuarial value of assets has increased by \$9,722,741.

Note - Effective January 1, 2010, the salary assumption was changed. The effect of changing the salary assumption from 4.0% to 3.5% is that the actuarial accrued liability decreased by \$1,578,169.

See accompanying notes to supplementary schedules.

COUNTY OF WASHINGTON, PENNSYLVANIA

SCHEDULE OF CONTRIBUTIONS FROM EMPLOYERS AND OTHER CONTRIBUTING ENTITIES FOR THE EMPLOYEES' RETIREMENT PLAN

<u>Calendar Year</u>	<u>Annual Required Contributions</u>	<u>Percentage Contributed</u>
2007	\$ 1,489,947	100%
2008	2,801,192	100%
2009	2,407,359	100%
2010	3,581,228	100%
2011	3,750,578	100%
2012	3,503,986	100%

The information presented above was determined as part of the actuarial valuations for the dates indicated.

See accompanying notes to supplementary schedules.

COUNTY OF WASHINGTON, PENNSYLVANIA

SCHEDULE OF FUNDING PROGRESS FOR OTHER POST-EMPLOYMENT BENEFIT PLANS

Actuarial Valuation Date	(a) Actuarial Value of Asset	(b) Actuarial Accrued Liability	(Overfunded) Unfunded Actuarial Accrued Liability	(a/b) Funded Ratio	(c) Covered Payroll	(Overfunded)/Unfunded Actuarial Accrued Liability (b-a) as a Percentage of Covered Payroll ((b-a)/c)
1/1/2012	\$ 4,370,190	\$ 54,645,928	\$ 50,275,738	8.0%	\$ 42,103,161	119.4%
1/1/2010	-	42,360,865	42,360,865	0.0%	40,609,970	104.3%
1/1/2008	-	40,769,744	40,769,744	0.0%	38,272,892	106.5%

Note: Actuarial valuation as of 01/01/08 represents the initial valuation for the plan as required under GASB Statement No. 45 (implemented in 2008). Actuarial valuation reports are only performed on a biennial basis for other post-employment benefit plans.

See accompanying notes to supplementary schedules.

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO REQUIRED SUPPLEMENTARY SCHEDULES

YEAR ENDED DECEMBER 31, 2012

1. PENSION INFORMATION

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

Actuarial valuation date	1/1/2013
Actuarial cost method	Entry Age
Amortization method	Level Percentage Closed
Amortization period	30 years Closed
Asset valuation method	5-Year Smoothed Market
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases	3.50%
Underlying inflation rate	3.00%

COUNTY OF WASHINGTON, PENNSYLVANIA

NOTES TO REQUIRED SUPPLEMENTARY SCHEDULES

YEAR ENDED DECEMBER 31, 2012

2. OPEB INFORMATION

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

Actuarial Data:

Valuation date:	1/1/2012
Actuarial cost method:	Projected Unit Credit
Amortization method:	Level dollar, open
Amortization period:	30 years
Asset valuation method	Market Value

Economic Assumptions:

Projected salary inflation *	N/A
Investment rate of return *	7.50%
Health care inflation rates	6.2% initial, 3.8% ultimate
* Includes inflation at	3.00%

Supplementary Information

COUNTY OF WASHINGTON, PENNSYLVANIA

OTHER GOVERNMENTAL FUNDS COMBINING BALANCE SHEET

DECEMBER 31, 2012

	Special Revenue Funds					Capital Projects Funds		Total Other Governmental Funds	
	Airport Operating	Liquid Fuels	Hazardous Materials Emergency Response	Domestic Relations	Human Services	Total	Airport Capital Projects		Debt Service
Assets									
Cash and cash equivalents	\$ 24,208	\$ 595,954	\$ 223,851	\$ 94,073	\$ 1,074,237	\$ 2,012,323	\$ -	\$ 2,879,689	\$ 4,892,012
Investments	-	-	-	-	-	-	-	-	-
Taxes receivable, net of allowance	-	-	-	-	-	-	-	177,052	177,052
Due from other governments	-	169,328	33,312	327,115	1,059,955	1,589,710	278,094	-	1,867,804
Interest and other	5,140	5,325	2,500	7,681	2,412	23,058	-	-	23,058
Loan receivable	-	-	-	-	-	-	-	1,160,840	1,160,840
Due from other funds	-	-	-	-	-	-	-	-	-
Prepays and other	-	-	647	458	-	1,105	-	-	1,105
Total Assets	\$ 29,348	\$ 770,607	\$ 260,310	\$ 429,327	\$ 2,136,604	\$ 3,626,196	\$ 278,094	\$ 4,217,581	\$ 8,121,871
Liabilities and Fund Balance									
Liabilities:									
Accounts payable	\$ 326	\$ 216,595	\$ 723	\$ 8,822	\$ 1,053,636	\$ 1,280,102	\$ 278,094	\$ -	\$ 1,558,196
Accrued payroll and other expenses	4,264	33,449	1,611	116,031	18,061	173,416	-	-	173,416
Deferred revenue	-	-	7,776	-	-	7,776	-	1,332,242	1,340,018
Due to other funds	-	548	-	-	-	548	-	-	548
Health Choices risk and contingency fund liability	-	-	-	-	-	-	-	-	-
Advances due to other funds	-	-	-	-	-	-	-	-	-
Total Liabilities	4,590	250,592	10,110	124,853	1,071,697	1,461,842	278,094	1,332,242	3,072,178
Fund Balance:									
Nonspendable:									
Inventories and prepaids	-	-	647	458	-	1,105	-	-	1,105
Restricted for:									
Debt service	-	-	-	-	-	-	-	2,885,339	2,885,339
Liquid fuels	-	519,785	-	-	-	519,785	-	-	519,785
Human Services	-	-	-	-	1,064,907	1,064,907	-	-	1,064,907
Committed for:									
Hazardous materials	-	-	248,800	-	-	248,800	-	-	248,800
Airport operations	24,758	-	-	-	-	24,758	-	-	24,758
Domestic relations	-	-	-	302,892	-	302,892	-	-	302,892
Assigned for:									
Encumbrances	-	230	753	1,124	-	2,107	-	-	2,107
Unassigned	-	-	-	-	-	-	-	-	-
Total Fund Balance	24,758	520,015	250,200	304,474	1,064,907	2,164,354	-	2,885,339	5,049,693
Total Liabilities and Fund Balance	\$ 29,348	\$ 770,607	\$ 260,310	\$ 429,327	\$ 2,136,604	\$ 3,626,196	\$ 278,094	\$ 4,217,581	\$ 8,121,871

COUNTY OF WASHINGTON, PENNSYLVANIA

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

YEAR ENDED DECEMBER 31, 2012

	Special Revenue Funds					Capital Projects Funds	Debt Service Fund	Total Other Governmental Funds	
	Airport Operating	Liquid Fuels	Hazardous Materials Emergency Response	Domestic Relations	Human Services	Total	Airport Capital Projects		Debt Service
Revenues:									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,149,775	\$ 3,149,775
Intergovernmental	-	1,459,104	42,974	1,736,945	11,966,633	15,205,656	491,988	-	15,697,644
Charges for services	-	-	75,967	93,139	-	169,106	-	-	169,106
Interest	-	1,160	567	-	3,733	5,460	-	870	6,330
Other	1,830	-	7,200	79,262	22,522	110,814	-	417,663	528,477
Total revenues	1,830	1,460,264	126,708	1,909,346	11,992,888	15,491,036	491,988	3,568,308	19,551,332
Expenditures:									
Current:									
General government - judicial	-	-	-	2,779,348	-	2,779,348	-	8,891	2,788,239
Public safety	-	-	61,581	-	-	61,581	-	-	61,581
Public works and enterprises	99,355	1,580,295	-	-	-	1,679,650	-	-	1,679,650
Human services	-	-	-	-	11,966,633	11,966,633	-	-	11,966,633
Debt service:									
Principal	-	-	-	-	-	-	-	2,065,000	2,065,000
Interest and fiscal charges	-	-	-	-	-	-	-	1,507,954	1,507,954
Bond issue costs	-	-	-	-	-	-	-	222,543	222,543
Capital projects	-	-	-	-	-	-	493,135	-	493,135
Total expenditures	99,355	1,580,295	61,581	2,779,348	11,966,633	16,487,212	493,135	3,804,388	20,784,735
Excess (Deficiency) of Revenues Over Expenditures	(97,525)	(120,031)	65,127	(870,002)	26,255	(996,176)	(1,147)	(236,080)	(1,233,403)
Other Financing Sources (Uses):									
Proceeds of refunding bonds	-	-	-	-	-	-	-	15,700,423	15,700,423
Proceeds from bond issuance	-	-	-	-	-	-	-	6,595,000	6,595,000
Bond discount	-	-	-	-	-	-	-	(158,095)	(158,095)
Payments to refunded bonds escrow agent	-	-	-	-	-	-	-	(15,355,180)	(15,355,180)
Real estate refunds	-	-	-	-	-	-	-	-	-
Loan repayments	-	-	-	-	-	-	-	1,117,412	1,117,412
Swaption termination	-	-	-	-	-	-	-	(3,991,000)	(3,991,000)
Operating transfers in	100,000	-	-	1,386,305	-	1,486,305	1,147	557,729	2,045,181
Operating transfers out	-	-	-	-	-	-	-	(3,000,000)	(3,000,000)
Total financing sources (uses)	100,000	-	-	1,386,305	-	1,486,305	1,147	1,466,289	2,953,741
Net Change in Fund Balance	2,475	(120,031)	65,127	516,303	26,255	490,129	-	1,230,209	1,720,338
Fund Balance:									
Beginning of year	22,283	640,046	185,073	(211,829)	1,038,652	1,674,225	-	1,655,130	3,329,355
End of year	\$ 24,758	\$ 520,015	\$ 250,200	\$ 304,474	\$ 1,064,907	\$ 2,164,354	\$ -	\$ 2,885,339	\$ 5,049,693

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, 2012

	Original and Final Budgeted Amounts	Actual Amounts	Variance
Revenues:			
Charges for services	\$ -	\$ -	\$ -
Other	-	1,830	1,830
Total revenues	-	1,830	1,830
Expenditures:			
Public works and enterprises	-	99,355	(99,355)
Excess (Deficiency) of Revenues Over Expenditures	-	(97,525)	(97,525)
Other Financing Sources (Uses):			
Operating transfer in	100,000	100,000	-
Net Change in Fund Balance	<u>\$ 100,000</u>	<u>\$ 2,475</u>	<u>\$ (97,525)</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, 2012

	Original and Final Budgeted Amounts	Actual	Variance
Revenues:			
Intergovernmental:			
State liquid fuels tax	\$ 3,870,520	\$ 1,459,104	\$ (2,411,416)
Interest	2,000	1,160	(840)
	<u>3,872,520</u>	<u>1,460,264</u>	<u>(2,412,256)</u>
Expenditures:			
Public works and enterprises:			
Highways and bridges	<u>3,954,788</u>	<u>1,580,295</u>	<u>2,374,493</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (82,268)</u>	<u>\$ (120,031)</u>	<u>\$ (37,763)</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, 2012

	Original and Final Budgeted Amounts	Actual Amounts	Variance
Revenues:			
<hr/>			
Intergovernmental:			
Federal grant	\$ 21,130	\$ 42,974	\$ 21,844
State grant	30,678	-	(30,678)
Charges for services	105,000	75,967	(29,033)
Interest	1,000	567	(433)
Other	8,000	7,200	(800)
	<hr/>	<hr/>	<hr/>
Total revenues	165,808	126,708	(39,100)
	<hr/>	<hr/>	<hr/>
Expenditures:			
<hr/>			
Public safety	109,831	61,581	48,250
	<hr/>	<hr/>	<hr/>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 55,977</u>	<u>\$ 65,127</u>	<u>\$ 9,150</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, 2012

	Original and Final Budgeted Amounts	Actual Amounts	Variance
Revenues:			
Intergovernmental:			
Department of Public Welfare - IV-D funds	\$ 1,650,000	\$ 1,493,370	\$ (156,630)
State	20,000	-	(20,000)
Department of Public Welfare - incentive	260,000	243,575	(16,425)
Charges for services	160,000	93,139	(66,861)
Interest	-	-	-
Other	4,500	79,262	74,762
Total revenues	<u>2,094,500</u>	<u>1,909,346</u>	<u>(185,154)</u>
Expenditures:			
General government - judicial	<u>3,056,738</u>	<u>2,779,348</u>	<u>277,390</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(962,238)</u>	<u>(870,002)</u>	<u>92,236</u>
Other Financing Sources (Uses):			
Operating transfer in	<u>800,000</u>	<u>1,386,305</u>	<u>586,305</u>
Net Change in Fund Balance	<u>\$ (162,238)</u>	<u>\$ 516,303</u>	<u>\$ 678,541</u>

COUNTY OF WASHINGTON, PENNSYLVANIA

SPECIAL REVENUE FUNDS

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

YEAR ENDED DECEMBER 31, 2012

	Original and Final Budgeted Amounts	Actual Amounts	Variance
Revenues:			
<u>Intergovernmental:</u>			
Federal grant - CCIS daycare	\$ 5,188,472	\$ 4,205,163	\$ (983,309)
Federal grants - other human services	3,077,636	3,393,344	315,708
State grants - transportation	1,537,068	1,402,730	(134,338)
State grant - HSDF	263,065	218,998	(44,067)
State grant - CCIS daycare	2,571,034	2,564,234	(6,800)
State grants - other human services	659,248	182,164	(477,084)
Total intergovernmental	13,296,523	11,966,633	(1,329,890)
Interest	8,435	3,733	(4,702)
Other	10,000	22,522	12,522
Total revenues	13,314,958	11,992,888	(1,322,070)
Expenditures:			
<u>Human services:</u>			
CCIS daycare	7,750,028	6,749,206	1,000,822
Transportation	2,828,389	2,417,948	410,441
HSDF	245,747	217,214	28,533
Other	2,477,201	2,582,265	(105,064)
Total expenditures	13,301,365	11,966,633	1,334,732
Excess (Deficiency) of Revenues Over Expenditures	\$ 13,593	\$ 26,255	\$ 12,662

COUNTY OF WASHINGTON, PENNSYLVANIA

CAPITAL PROJECTS FUNDS

AIRPORT CAPITAL PROJECTS FUND

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

YEAR ENDED DECEMBER 31, 2012

	Original and Final Budgeted Amounts	Actual Amounts	Variance
Revenues:			
Intergovernmental:			
Federal grant	\$ 200,000	\$ 491,988	\$ 291,988
Expenditures:			
Capital projects	230,000	493,135	(263,135)
Excess (Deficiency) of Revenues Over Expenditures	(30,000)	(1,147)	28,853
Other Financing Sources (Uses):			
Operating transfer in	30,000	1,147	(28,853)
Net Change in Fund Balance	\$ -	\$ -	\$ -

COUNTY OF WASHINGTON, PENNSYLVANIA

DEBT SERVICE FUND

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

YEAR ENDED DECEMBER 31, 2012

	Original and Final Budgeted Amounts	Actual Amounts	Variance
Revenues:			
Taxes	\$ 2,978,211	\$ 3,149,775	\$ 171,564
Interest	20,000	870	(19,130)
Other	646,318	417,663	(228,655)
Total revenues	<u>3,644,529</u>	<u>3,568,308</u>	<u>(76,221)</u>
Expenditures:			
General government judicial	-	8,891	(8,891)
Debt service:			
Principal	2,295,000	2,065,000	230,000
Interest and fiscal charges	1,713,158	1,507,954	205,204
Bond issue costs	-	222,543	(222,543)
Total expenditures	<u>4,008,158</u>	<u>3,804,388</u>	<u>203,770</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(363,629)</u>	<u>(236,080)</u>	<u>127,549</u>
Other Financing Sources (Uses):			
Proceeds of refunding bonds	-	15,700,423	15,700,423
Proceeds from bond issuance	-	6,595,000	6,595,000
Loan repayment	247,662	1,117,412	869,750
Payments to refunded bonds escrow agent	-	(15,355,180)	(15,355,180)
Bond discount	-	(158,095)	(158,095)
Swaption termination	-	(3,991,000)	(3,991,000)
Operating transfers out	-	(3,000,000)	(3,000,000)
Operating transfers in	-	557,729	557,729
Total other financing sources (uses)	<u>247,662</u>	<u>1,466,289</u>	<u>1,218,627</u>
Net Change in Fund Balance	<u>\$ (115,967)</u>	<u>\$ 1,230,209</u>	<u>\$ 1,346,176</u>

COUNTY OF WASHINGTON, PENNSYLVANIA

FIDUCIARY FUNDS

ALL AGENCY FUNDS COMBINING BALANCE SHEET

DECEMBER 31, 2012

	<u>Treasurer</u>	<u>Recorder of Deeds</u>	<u>Register of Wills</u>	<u>Prothonotary</u>	<u>Clerk of Courts</u>	<u>Court Administrator - Supervision Fees</u>
<hr/> Assets <hr/>						
Cash and cash equivalents	\$ 63,780	\$ 1,416,734	\$ 166,348	\$ 575,354	\$ 650,874	\$ 1,422,547
<hr/> Liabilities <hr/>						
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,422,547
Due to other governments	63,780	1,416,734	166,348	-	-	-
Escrow liability	-	-	-	575,354	650,874	-
Total Liabilities	<u>\$ 63,780</u>	<u>\$ 1,416,734</u>	<u>\$ 166,348</u>	<u>\$ 575,354</u>	<u>\$ 650,874</u>	<u>\$ 1,422,547</u>
<hr/>						
	<u>CYS Services</u>	<u>Tax Claim</u>	<u>Domestic Relations</u>	<u>Prison Commissary</u>	<u>Sheriff's Office</u>	<u>Total</u>
<hr/> Assets <hr/>						
Cash and cash equivalents	\$ 19,375	\$ 1,343,175	\$ 25,929	\$ 384,271	\$ 314,731	\$ 6,383,118
<hr/> Liabilities <hr/>						
Due to other funds	\$ -	\$ 29,195	\$ -	\$ -	\$ -	\$ 1,451,742
Due to other governments	-	204,658	-	-	-	1,851,520
Escrow liability	19,375	1,109,322	25,929	384,271	314,731	3,079,856
Total Liabilities	<u>\$ 19,375</u>	<u>\$ 1,343,175</u>	<u>\$ 25,929</u>	<u>\$ 384,271</u>	<u>\$ 314,731</u>	<u>\$ 6,383,118</u>

COUNTY OF WASHINGTON, PENNSYLVANIA

FIDUCIARY FUNDS

ALL AGENCY FUNDS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

DECEMBER 31, 2012

	<u>Balance at January 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at December 31, 2012</u>
<u>Treasurer:</u>				
<u>Assets</u>				
Cash and cash equivalents	<u>\$ 67,103</u>	<u>\$ 383,382</u>	<u>\$ 386,705</u>	<u>\$ 63,780</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 67,103</u>	<u>\$ 383,382</u>	<u>\$ 386,705</u>	<u>\$ 63,780</u>
<u>Recorder of Deeds:</u>				
<u>Assets</u>				
Cash and cash equivalents	<u>\$ 1,429,952</u>	<u>\$ 21,097,795</u>	<u>\$ 21,111,013</u>	<u>\$ 1,416,734</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 1,429,952</u>	<u>\$ 21,097,795</u>	<u>\$ 21,111,013</u>	<u>\$ 1,416,734</u>
<u>Register of Wills:</u>				
<u>Assets</u>				
Cash and cash equivalents	<u>\$ 174,605</u>	<u>\$ 11,344,447</u>	<u>\$ 11,352,704</u>	<u>\$ 166,348</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 174,605</u>	<u>\$ 11,344,447</u>	<u>\$ 11,352,704</u>	<u>\$ 166,348</u>

(Continued)

COUNTY OF WASHINGTON, PENNSYLVANIA

FIDUCIARY FUNDS

ALL AGENCY FUNDS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

DECEMBER 31, 2012

(Continued)

	<u>Balance at January 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at December 31, 2012</u>
Prothonotary:				
<hr/>				
Assets				
<hr/>				
Cash and cash equivalents	\$ 632,036	\$ 982,350	\$ 1,039,032	\$ 575,354
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Liabilities				
<hr/>				
Escrow liability	\$ 632,036	\$ 982,350	\$ 1,039,032	\$ 575,354
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Clerk of Courts:				
<hr/>				
Assets				
<hr/>				
Cash and cash equivalents	\$ 668,319	\$ 3,686,233	\$ 3,703,678	\$ 650,874
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Liabilities				
<hr/>				
Escrow liability	\$ 668,319	\$ 3,686,233	\$ 3,703,678	\$ 650,874
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Court Administrator - Supervision Fees:				
<hr/>				
Assets				
<hr/>				
Cash and cash equivalents	\$ 981,336	\$ 441,211	\$ -	\$ 1,422,547
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Liabilities				
<hr/>				
Due to other funds	\$ 981,336	\$ 441,211	\$ -	\$ 1,422,547
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

(Continued)

COUNTY OF WASHINGTON, PENNSYLVANIA

FIDUCIARY FUNDS

ALL AGENCY FUNDS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

DECEMBER 31, 2012

(Continued)

	Balance at January 1, 2012	Additions	Deletions	Balance at December 31, 2012
CYS Services:				
Assets				
Cash and cash equivalents	\$ 14,684	\$ 13,926	\$ 9,235	\$ 19,375
Liabilities				
Escrow liability	\$ 14,684	\$ 13,926	\$ 9,235	\$ 19,375
Tax Claim:				
Assets				
Cash and cash equivalents	\$ 1,590,291	\$ 9,173,052	\$ 9,420,168	\$ 1,343,175
Liabilities				
Due to other funds	\$ 28,963	\$ 2,283,609	\$ 2,283,377	\$ 29,195
Due to other governments	199,151	6,681,086	6,675,579	204,658
Escrow liability	1,362,177	208,357	461,212	1,109,322
	\$ 1,590,291	\$ 9,173,052	\$ 9,420,168	\$ 1,343,175
Domestic Relations:				
Assets				
Cash and cash equivalents	\$ 61,811	\$ 1,397,549	\$ 1,433,431	\$ 25,929
Liabilities				
Escrow liability	\$ 61,811	\$ 1,397,549	\$ 1,433,431	\$ 25,929

(Continued)

COUNTY OF WASHINGTON, PENNSYLVANIA

FIDUCIARY FUNDS

ALL AGENCY FUNDS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

DECEMBER 31, 2012

(Continued)

	Balance at January 1, 2012	Additions	Deletions	Balance at December 31, 2012
Prison Commissary:				
<hr/>				
Assets				
<hr/>				
Cash and cash equivalents	<u>\$ 391,634</u>	<u>\$ 373,221</u>	<u>\$ 380,584</u>	<u>\$ 384,271</u>
<hr/>				
Liabilities				
<hr/>				
Escrow liability	<u>\$ 391,634</u>	<u>\$ 373,221</u>	<u>\$ 380,584</u>	<u>\$ 384,271</u>
Sheriff's Office:				
<hr/>				
Assets				
<hr/>				
Cash and cash equivalents	<u>\$ 320,334</u>	<u>\$ 1,472,073</u>	<u>\$ 1,477,676</u>	<u>\$ 314,731</u>
<hr/>				
Liabilities				
<hr/>				
Escrow liability	<u>\$ 320,334</u>	<u>\$ 1,472,073</u>	<u>\$ 1,477,676</u>	<u>\$ 314,731</u>

(Concluded)