

**COUNTY OF LAWRENCE, PENNSYLVANIA**

**NEW CASTLE, PENNSYLVANIA**

**FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017**

COUNTY OF LAWRENCE, PENNSYLVANIA  
YEAR ENDED DECEMBER 31, 2017

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**INDEPENDENT AUDITOR'S REPORT**

County Commissioners  
County of Lawrence  
New Castle, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the COUNTY OF LAWRENCE, PENNSYLVANIA as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the COUNTY OF LAWRENCE, PENNSYLVANIA'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, each major fund, and the aggregate remaining fund information of the COUNTY OF LAWRENCE, PENNSYLVANIA, as of December 31, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.



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County of Lawrence  
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### **Adoption of GASB Statements**

As described in Note 1 to the financial statements, in 2017 the County adopted the provisions of Governmental Accounting Standards Board GASB Statement No. 74 "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans", Statement No. 80 "Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14", Statement No. 81 "Irrevocable Spilt Interest Agreements", and Statement No. 82 "Pension Issues an amendment of GASB Statements No. 67, No. 68, and No. 73". Our opinion is not modified with respect to these matters.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of county contributions and investment returns, and schedules of changes in the net pension liability and related ratios (as listed in the table of contents as required supplementary information) on pages 4 - 15 and 47 - 52 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 Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the COUNTY OF LAWRENCE, PENNSYLVANIA's basic financial statements. The combining nonmajor fund financial statements on pages 54 through 59 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate 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 combining nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



County Commissioners  
County of Lawrence  
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**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated September 18, 2018 on our consideration of the COUNTY OF LAWRENCE's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the COUNTY OF LAWRENCE's internal control over financial reporting and compliance.

*Zelenkofske Axlerod LLC*

ZELENKOFKSKE AXELROD LLC

Pittsburgh, Pennsylvania  
September 18, 2018

## MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2017

The COUNTY OF LAWRENCE, hereafter referred to as the "COUNTY", is pleased to present its financial statements developed in compliance with Statement of Governmental Accounting Standard No. 34, entitled "Basic Financial Statements – Management's Discussion and Analysis – For State and Local Governments (hereafter "GASB 34"), and related standards. GASB 34 enhances information provided to the users of its financial statements. This section of the financial reporting package presents our discussion and analysis of the COUNTY's financial performance during the year that ended on December 31, 2017. Please read this Management Discussion and Analysis in conjunction with the COUNTY's financial statements that follow this section.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This report consists of the following four parts:

- Management's discussion and analysis (this section)
- Basic financial statements (including notes)
- Required supplementary information
- Other supplementary information

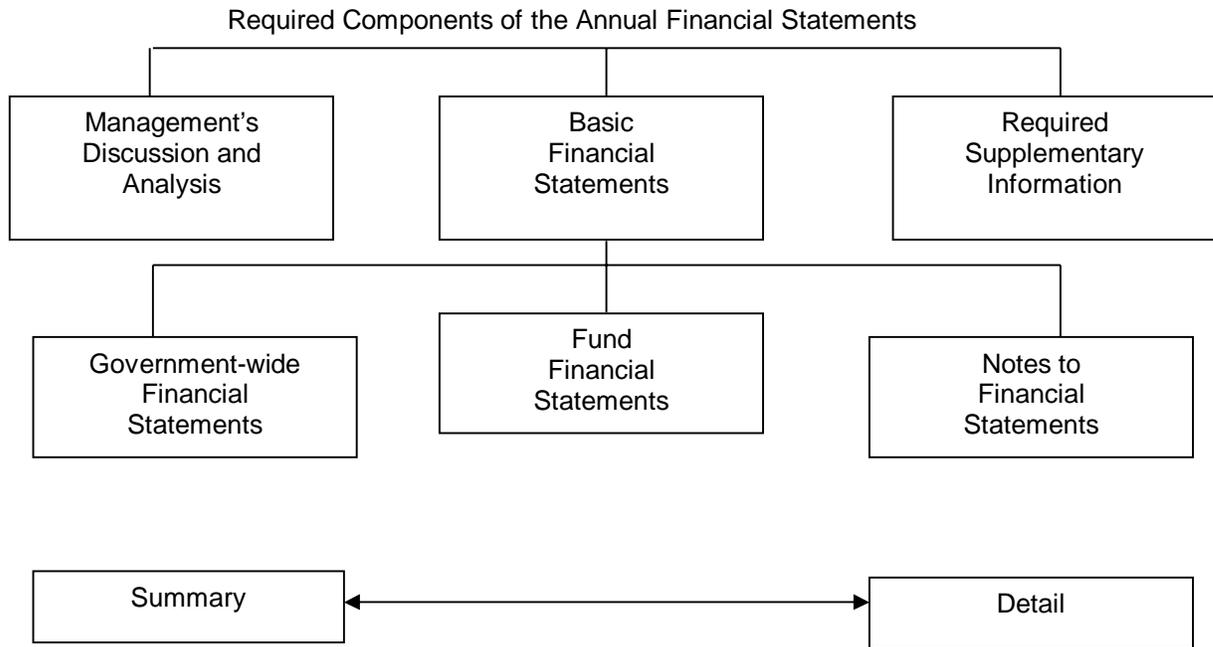
Management's discussion and analysis is a guide to reading the financial statements and provides related information to help the reader to better understand the COUNTY's government. The basic financial statements include notes that provide additional information essential to a full understanding of the financial data provided in the government-wide and fund financial statements. Required supplementary information is provided on the COUNTY's budget to actual figures for the general fund, mental health/developmental services fund and the children and youth services fund.

The basic financial statements present two different views of the COUNTY.

- *Government-wide financial statements*, the first two statements, provide information about the COUNTY's overall financial status.
- *Fund financial statements*, the remaining statements, focus on individual parts of the COUNTY's government. They provide more detail on operations than the government-wide statements. There are two types of fund financial statements:
  - *Governmental funds statements* show how general government services such as public safety, human services, public works, culture and recreation, and conservation and development are financed in the short term, as well as what remains for future spending.
  - *Fiduciary funds statements* reflect activities involving resources that are held by the COUNTY as a trustee or agent for the benefit of others. Fiduciary funds are not reflected in the government-wide statements because the resources cannot be used to support the COUNTY's programs.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2017**

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



**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2017**

Table A-2 summarizes the major features of the County's financial statements, including the area of the County's activities they cover and the types of information they contain.

**Table A-2: Major features of the government-wide and fund financial statements**

	<b>Government- wide Statements</b>	<b>Fund Financial Statements</b>	
		<b><u>Governmental</u></b>	<b><u>Fiduciary</u></b>
Scope	Entire entity (except fiduciary funds)	The day-to-day operating activities of the County, such as public safety and courts	Instances in which the County administers resources on behalf of others
Required Financial Statements	-Statement of net position -Statement of activities	-Balance Sheet -Statement of revenues, expenditures and changes in fund balances	-Statement of fiduciary net position
Accounting basis and measurement focus	Accrual	Modified Accrual	Accrual accounting and economic resources focus
Type of asset and liability information	All assets and liabilities, short-term and long-term	Current assets and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, short-term and long-term
Type of inflow and outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenue for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2017**

The remainder of the overview explains the structure and contents of the government-wide and fund financial statements.

**Government-wide financial statements**

Government-wide financial statements report information about the COUNTY as a whole using accounting methods similar to those used by private-sector companies.

- The statement of net position includes all the COUNTY's assets and liabilities, except fiduciary funds, with the difference between the two reported as net position. This statement serves a purpose similar to that of the balance sheet of a private-sector business.
- The statement of activities focuses on how the COUNTY's net position changed during the year. Because it separates program revenue (revenue generated by specific programs through charges for services, grants and contributions) from general revenue (revenue provided by taxes and other sources not tied to a particular program), it shows to what extent each program has to rely on local taxes for funding.

All changes to net position are reported using the economic resources measurement focus and the accrual basis of accounting, which requires that revenues be reported when they are earned and expenses recorded when a liability is incurred, regardless of the timing of the related cash flow.

Net position is one way to measure the COUNTY's financial position. Over time, increases or decreases in the COUNTY's net position is one indicator of whether the COUNTY's financial position is improving or deteriorating. However, other non-financial factors such as changes in the COUNTY's property tax base and general economic conditions must be considered to assess the overall position of the COUNTY.

The Statement of Net Position and the Statement of Activities include the following:

- *Governmental activities* include the COUNTY's basic services such as general government, judicial, public safety, public works, human services, culture and recreation, and conservation and development.

Net position of the governmental activities differ from the governmental fund balances because governmental fund level statements only report transactions using or providing current financial resources. Also, capital assets in the fund level statements are reported as expenditures when financial resources (money) are expended to purchase or build assets. Likewise, the financial resources that may have been borrowed are considered revenue when they are received. The principal and interest payments are both considered revenue when they are received. The principal and interest payments are both considered expenditures when paid. Depreciation is not calculated as it does not provide or reduce current financial resources. Finally, capital assets and long-term debt do not affect fund balances.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2017**

Government-wide statements are reported on the accrual basis of accounting that involves the following steps to format the statement of net position:

- Capitalize current outlays for capital assets
- Report long-term debt as a liability
- Depreciate capital assets and allocate the depreciation to the proper program/activities
- Allocate net position balances as follows:
  - Net investment in capital assets
  - Restricted net position is the net position with constraints placed on the use by external sources (creditors, grantors, contributors, or laws or regulations of governments) or imposed by law through constitutional provisions or enabling legislation
  - Unrestricted net position is net position that does not meet any of the above restrictions

**Fund Financial Statements**

Fund financial statements provide more detailed information on the COUNTY's most significant funds, not the COUNTY as a whole. Funds are accounting devices, i.e., a group of related accounts, the COUNTY uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by state law. Other funds are established to control and manage resources designated for specific purposes. Fund financial statements are reported using the modified accrual basis of accounting.

The COUNTY has two kinds of funds:

- *Governmental funds* include most of the COUNTY's basic services and focus on: (1) the flow in and out of cash and other financial assets that can readily be converted into cash, and: (2) the balances left at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting.

The relationship between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is described in a reconciliation that follows the governmental fund financial statements.

The COUNTY adopts an annual budget for the general fund, as required by state law. The County also adopts a budget for the mental health/developmental services fund and the children and youth services fund. A budgetary comparison of the COUNTY's general fund, mental health/developmental services fund and the children and youth services fund are presented as required supplementary information.

- *Fiduciary Funds* are funds for which the COUNTY is the trustee or fiduciary. These include certain agency funds, or clearing accounts for assets held by the COUNTY in its role as custodian until the funds are allocated to the private parties, organizations or government agencies to which they belong. The COUNTY is responsible to ensure the assets reported in these funds are used for their intended purposes. This fiduciary activity is reported in a separate statement of fiduciary net position. These funds are excluded from the COUNTY's government-wide financial statements because the COUNTY cannot use these assets to finance its operations. The fiduciary funds are reported using the accrual basis of accounting.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2017**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**Net Position**

The COUNTY's total assets were \$81,673,365 at December 31, 2017. Of this amount, \$54,116,797 was capital assets.

GASB No. 34 required that all capital assets, including infrastructure, be valued and reported within the governmental activities column of the government-wide financial statements, but allowed infrastructure to be added over several years. The COUNTY adopted the provisions of GASB 34 related to infrastructure on the retroactive basis.

**Condensed Statement of Net Position – 2017/2016**

	2017 Governmental Activities	2016 Governmental Activities	Changes from 2017 to 2016
Capital Assets	\$ 54,116,797	\$ 56,539,510	\$ (2,422,713)
Other Assets	27,556,568	23,393,966	4,162,602
<b>Total Assets</b>	<b>\$ 81,673,365</b>	<b>\$ 79,933,476</b>	<b>\$ 1,739,889</b>
Deferred Outflows- Pensions	\$ 1,991,194	\$ 3,201,839	\$ (1,210,645)
<b>Total Deferred Outflows</b>	<b>\$ 1,991,194</b>	<b>\$ 3,201,839</b>	<b>\$ (1,210,645)</b>
Current Liabilities	\$ 12,318,753	\$ 10,519,440	\$ 1,799,313
Long-term Liabilities	35,066,929	36,362,198	(1,295,269)
<b>Total Liabilities</b>	<b>\$ 47,385,682</b>	<b>\$ 46,881,638</b>	<b>\$ 504,044</b>
Deferred Inflows- Pensions	\$ 4,162,047	\$ 324,559	\$ 3,837,488
<b>Total Deferred Inflows</b>	<b>\$ 4,162,047</b>	<b>\$ 324,559</b>	<b>\$ 3,837,488</b>
<b>Net Position</b>			
Net Investment in Capital Assets	\$ 28,192,527	\$ 29,147,021	\$ (954,494)
Restricted	5,270,158	4,213,706	1,056,452
Unrestricted	(1,345,855)	2,568,391	(3,914,246)
<b>Total Net Position</b>	<b>\$ 32,116,830</b>	<b>\$ 35,929,118</b>	<b>\$ (3,812,288)</b>

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2017**

In 2016, Health Choices was reclassified from a proprietary fund to a special revenue fund.

**Change in Net Position**

The following statement of activities represents the change in net position for the year ended December 31, 2017 and December 31, 2016 and changes from 2017 to 2016. It shows revenues by source and expenses by function for governmental activities.

**Condensed Statement of Activities**

	2017	2016	Changes From
	Governmental Activities	Governmental Activities	2017 to 2016
Program Revenues:			
Charges for Services	\$ 7,419,903	\$ 7,009,074	\$ 410,829
Grants and Contributions	29,085,413	29,201,361	(115,948)
General Revenues:			
Taxes	25,437,031	25,596,730	(159,699)
Unrestricted			
Investment Earnings	28,648	18,032	10,616
Miscellaneous Revenue	1,270,293	396,736	873,557
Total Revenues	<u>\$ 63,241,288</u>	<u>\$ 62,221,933</u>	<u>\$ 1,019,355</u>
Expenses:			
General Government - Administrative	\$ 8,169,441	\$ 7,618,074	\$ 551,367
General Government - Judicial	11,301,269	10,911,604	389,665
Public Safety	12,993,753	12,804,032	189,721
Public Works	1,448,909	1,425,158	23,751
Human Services	26,046,464	27,138,410	(1,091,946)
Culture and Recreation	736,647	718,963	17,684
Conservation and Development	4,585,019	1,818,961	2,766,058
Miscellaneous	23,785	29,082	(5,297)
Interest on Long-Term Debt	1,205,327	932,676	272,651
Total Expenses	<u>66,510,614</u>	<u>63,396,960</u>	<u>3,113,654</u>
Change in Net Position	<u>(3,269,326)</u>	<u>(1,175,027)</u>	<u>(2,094,299)</u>
Net Position - January 1	<u>35,386,156</u>	<u>35,466,745</u>	<u>(80,589)</u>
Restatement	<u>-</u>	<u>1,094,438</u>	<u>(1,094,438)</u>
Net Position - December 31	<u>\$ 32,116,830</u>	<u>\$ 35,386,156</u>	<u>\$ (3,269,326)</u>

2016, Health Choices was reclassified from a proprietary fund to a special revenue fund.

**MANAGEMENT DISCUSSION AND ANALYSIS  
DECEMBER 31, 2017**

**Net Program Expenses**

Net program expenses indicate the amount of support required from taxes and other general revenues for a program of the government. In 2017, property taxes brought in \$25,437,031.

**Net Cost of Governmental Activities**

Program:	<b>2017 Total Cost of Service</b>	<b>2016 Total Cost of Services</b>	<b>2017 Net Cost of Services</b>	<b>2016 Net Cost of Services</b>
General Government -				
Administrative	\$ 8,169,441	\$ 7,618,074	\$ (5,567,058)	\$ (5,028,290)
General Government - Judicial	11,301,269	10,911,604	(8,395,303)	(8,038,776)
Public Safety	12,993,753	12,804,032	(8,898,494)	(8,281,646)
Public Works	1,448,909	1,425,158	(414,452)	(456,132)
Human Services	26,046,464	27,138,410	(3,449,442)	(2,568,853)
Culture and Recreation	736,647	718,963	(736,647)	(718,963)
Conservation and Development	4,585,019	1,818,961	(1,314,790)	(1,132,107)
Interest on Long - Term Debt	1,205,327	932,676	(1,205,327)	(932,676)
Miscellaneous	23,785	29,082	(23,785)	(29,082)
<b>Total</b>	<b><u>\$66,510,614</u></b>	<b><u>\$ 63,396,960</u></b>	<b><u>\$ (30,005,298)</u></b>	<b><u>\$ (27,186,525)</u></b>

The COUNTY relied on property taxes and other general revenues to fund 45.1% of its governmental activities in 2017.

**MANAGEMENT DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2017**

**Capital Assets**

The COUNTY's investment in capital assets at December 31, 2017, net of accumulated depreciation, was \$54,116,797. Capital assets consist primarily of land, buildings and equipment. The following is a summary of capital assets at December 31, 2017:

	<b>Capital Assets</b>			
	Beginning Balance	Increases	Decreases	Ending Balance
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 546,459	\$ -	\$ -	\$ 546,459
Construction in Progress	512,484	309,363	(424,825)	397,022
Total Capital Assets, Not Being Depreciated	1,058,943	309,363	(424,825)	943,481
Capital Assets, Being Depreciated:				
Buildings and Improvements	35,659,097	142,451	-	35,801,548
Equipment and Vehicles	13,771,789	187,996	-	13,959,785
Infrastructure	31,616,296	376,710	-	31,993,006
Total Capital Assets, Being Depreciated	81,047,182	707,157	-	81,754,339
Less Accumulated Depreciation For:				
Buildings and Improvements	(16,063,134)	(976,476)	-	(17,039,610)
Equipment and Vehicles	(3,609,631)	(1,213,641)	-	(4,823,272)
Infrastructure	(5,893,850)	(824,291)	-	(6,718,141)
Total Accumulated Depreciation	(25,566,615)	(3,014,408)	-	(28,581,023)
Total Capital Assets, Being Depreciated, Net	55,480,567	(2,307,251)	-	53,173,316
Governmental Activities Capital Assets, Net	\$ 56,539,510	\$ (1,997,888)	\$ (424,825)	\$ 54,116,797

Detailed information about the COUNTY's capital assets can be found in Note 5, Notes to the Financial Statements.

**MANAGEMENT DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2017**

**Debt Administration**

At December 31, 2017, the COUNTY had \$36,227,018 of long-term obligations outstanding. Debt decreased 3.4% from the previous year. The following is a summary of debt obligations for the 2017 year:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<u>Governmental Activities:</u>					
<u>Bonds and Notes Payable:</u>					
General Obligation Bonds	\$ 10,940,000	\$ -	\$ (1,440,000)	\$ 9,500,000	\$ 305,000
General Obligation Notes	25,855,000	-	-	25,855,000	1,140,000
Total Bonds and Notes Payable	<u>36,795,000</u>	<u>-</u>	<u>(1,440,000)</u>	<u>35,355,000</u>	<u>1,445,000</u>
			Less amounts due within one year	<u>(1,445,000)</u>	
				<u>33,910,000</u>	
<u>Other Liabilities:</u>					
Capital Lease Obligations	41,171	-	(8,827)	32,344	9,334
Compensated Absences	662,739	176,935	-	839,674	-
Total Other Liabilities	<u>703,910</u>	<u>176,935</u>	<u>(8,827)</u>	<u>872,018</u>	<u>9,334</u>
Governmental Activities Long-Term Liabilities	<u>\$ 37,498,910</u>	<u>\$ 176,935</u>	<u>\$ (1,448,827)</u>	<u>\$ 36,227,018</u>	<u>\$ 1,454,334</u>

See Note 7 for more information regarding long-term debt.

**GOVERNMENTAL FUNDS**

The COUNTY uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of governmental funds is to provide information on inflows, outflows, and balances of spendable resources. Such information is useful in assessing the COUNTY's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the COUNTY's net resources available for spending at the end of the year.

The COUNTY's governmental funds include the general fund and various special revenue funds. The general fund is the chief operating fund for the COUNTY. Special revenue funds are restricted to specific legislated use. The major funds are shown on the statement of revenues, expenditures and changes in fund balances in the financial statements.

**MANAGEMENT DISCUSSION AND ANALYSIS  
DECEMBER 31, 2017**

**GOVERNMENTAL FUND REVENUES**

Governmental fund revenues by source at December 31, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
Revenues:		
Taxes	\$ 25,199,955	\$ 25,184,846
Intergovernmental Revenues	29,085,413	29,201,361
Charges for Services	7,419,903	7,009,074
Interest	28,648	18,032
Other	1,270,293	396,736
Debt Proceeds	-	9,755,000
Proceeds from Capital Lease	-	47,475
Transfers In	<u>4,738,159</u>	<u>3,527,571</u>
Total Revenue	<u>\$ 67,742,371</u>	<u>\$ 75,140,095</u>

Tax revenues and charges for services were all up slightly for the year ended 2017. There was no new capital leases or debt issuances for the year ended 2017.

**GOVERNMENTAL FUND EXPENDITURES**

Governmental fund expenditures by function at December 31, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
Expenditures:		
General Government - Administrative	\$ 7,421,602	\$ 7,111,320
General Government - Judicial	11,018,238	10,671,173
Public Safety	11,033,846	12,207,727
Public Works	652,993	1,046,424
Human Services	25,252,800	26,572,343
Culture and Recreation	681,607	669,352
Conservation and Development	4,444,534	1,774,891
Debt Service	2,670,013	2,044,631
Payment to Retirement Fund	-	9,755,000
Capital Outlay	303,233	2,442,633
Transfers Out	4,738,159	3,527,571
Miscellaneous	<u>23,785</u>	<u>29,082</u>
Total Expenditures	<u>\$ 68,240,810</u>	<u>\$ 77,852,147</u>

Public Safety expenditures decreased due to a decrease in 911 spending. Public Works and Capital Outlay expenditures decreased due to a decrease in construction project spending. Human services expenditures decreased due to decreased grant funding. Conservation and Development expenditures increased as a result of a new RACP grant in the Pass Through Grants Fund during 2017. The payment to retirement fund is a result of the 2016 bond proceeds was used to reduce the County's Net Pension Liability.

**MANAGEMENT DISCUSSION AND ANALYSIS  
DECEMBER 31, 2017**

**GOVERNMENTAL FUND BALANCES**

Ending balances for governmental funds at December 31, 2017 and 2016 were as follows:

Fund	<u>2017</u>	<u>2016</u>
General Fund	\$ 2,473,959	\$ 4,212,739
Mental Health/ Mental Retardation	-	-
Children and Youth Services	-	-
Pass Through Grants Fund	-	-
Other Governmental Funds	<u>5,199,605</u>	<u>3,959,264</u>
Total Fund Balance	<u><u>\$ 7,673,564</u></u>	<u><u>\$ 8,172,003</u></u>

The reasons for the changes in governmental fund balances are explained above in the governmental funds revenues and expenditures sections.

**BUDGETARY HIGHLIGHTS**

The COUNTY adopts an annual appropriated budget for its general fund, mental health/developmental services fund and children and youth services fund. In 2017, general fund expenditures were under budget by \$875,867 or 3.1%. Mental health/developmental services fund expenditures were under budget by \$311,402 or 4.3%. Children and youth services fund expenditures were under budget by \$1,370,241 or 12.5%. Detailed information about the COUNTY's 2017 budgets for these funds can be found in Required Supplemental Information.

**ECONOMIC CONDITIONS AND NEXT YEAR'S BUDGET**

The county has stagnant property values which limit revenues and places constraints of expenditures and the delivery of services. The millage rate for 2018 will remain the same at 6.999 mills.

**CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

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

County of Lawrence  
Controller's Office  
430 Court Street  
New Castle, PA 16101

Phone: 724-656-2132

COUNTY OF LAWRENCE, PENNSYLVANIA  
STATEMENT OF NET POSITION  
DECEMBER 31, 2017

Assets	Primary Government Governmental Activities
Cash and Cash Equivalents	\$ 10,641,365
Restricted Cash	454,235
Receivables (Net, where applicable, of Allowance for Uncollectibles)	
Accounts	1,234,720
Taxes	2,303,178
Due From Other Governments	5,954,171
Bond Discount	2,319
Prepaid Assets	40,000
Net Pension Asset	6,926,580
Capital Assets: (Net)	
Depreciable	53,173,316
Non-depreciable	943,481
Total Assets	\$ 81,673,365
Deferred Outflows of Resources	
Pensions	\$ 1,991,194
Liabilities	
Current Liabilities:	
Accounts Payable	\$ 3,813,307
Cash Overdraft	4,398,773
Accrued Expenses	873,343
Unearned Revenues	1,172,592
Accrued Interest Payable on Debt	152,169
Escrow Liability	454,235
Current Portions of Long-Term Liabilities:	
Loans and Notes Payable	1,445,000
Capital Lease Payable	9,334
Non-Current Portions of Long-Term Liabilities:	
Loans and Notes Payable	33,910,000
Bond Premium	294,245
Capital Lease Payable	23,010
Compensated Absences	839,674
Total Liabilities	47,385,682
Deferred Inflows of Resources	
Pensions	\$ 4,162,047
Net Position	
Net Investment in Capital Assets	28,192,527
Restricted Net Position	
Program Purposes	5,270,158
Unrestricted	(1,345,855)
Total Net Position	\$ 32,116,830

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

COUNTY OF LAWRENCE, PENNSYLVANIA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government:					
Governmental Activities:					
General Government - Administrative	\$ 8,169,441	\$ 2,517,182	\$ 85,201	\$ -	\$ (5,567,058)
General Government - Judicial	11,301,269	1,194,454	1,711,512	-	(8,395,303)
Public Safety	12,993,753	3,531,900	563,359	-	(8,898,494)
Public Works	1,448,909	-	1,034,457	-	(414,452)
Human Services	26,046,464	21,152	22,575,870	-	(3,449,442)
Culture and Recreation	736,647	-	-	-	(736,647)
Conservation and Development	4,585,019	155,215	3,115,014	-	(1,314,790)
Miscellaneous	23,785	-	-	-	(23,785)
Interest on Long-Term Debt	1,205,327	-	-	-	(1,205,327)
<b>Total Governmental Activities</b>	<b>66,510,614</b>	<b>7,419,903</b>	<b>29,085,413</b>	<b>-</b>	<b>(30,005,298)</b>
General Revenues:					
Taxes					25,437,031
Unrestricted investment earnings					28,648
Miscellaneous					1,270,293
<b>Total General Revenues</b>					<b>26,735,972</b>
Change in Net Position					(3,269,326)
Net Position - Beginning					35,386,156
Net Position - Ending					<b>\$ 32,116,830</b>

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

COUNTY OF LAWRENCE, PENNSYLVANIA  
BALANCE SHEET  
DECEMBER 31, 2017

	General Fund	Mental Health/ Developmental Services	Children and Youth Services	Pass Through Grants	Total Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash and Cash Equivalents	\$ 4,389,821	\$ 1,042,144	\$ -	\$ 737,346	\$ 4,472,054	\$ 10,641,365
Restricted Cash	443,998	-	-	-	10,237	454,235
Receivables:						
Taxes	2,303,178	-	-	-		2,303,178
Other Governmental Grants	-	1,554	4,789,262	677,142	486,213	5,954,171
Other	672,599	-	-	-	562,121	1,234,720
Due from Other Funds	27,950	401,641	-	-	929,948	1,359,539
Prepaid Assets	40,000	-	-	-	-	40,000
<b>Total Assets</b>	<b>\$ 7,877,546</b>	<b>\$ 1,445,339</b>	<b>\$ 4,789,262</b>	<b>\$ 1,414,488</b>	<b>\$ 6,460,573</b>	<b>\$ 21,987,208</b>
<b>Liabilities</b>						
Accounts Payable	\$ 686,886	\$ 911,537	\$ 405,660	\$ 864,853	\$ 944,371	\$ 3,813,307
Cash Overdraft	-	-	4,293,982	-	104,791	4,398,773
Accrued Liabilities	702,768	27,317	58,162	-	85,096	873,343
Due to Other Funds	1,328,080	-	31,458	-	1	1,359,539
Escrow Liability	443,998	-	-	-	10,237	454,235
Unearned Revenues	-	506,485	-	549,635	116,472	1,172,592
<b>Total Liabilities</b>	<b>3,161,732</b>	<b>1,445,339</b>	<b>4,789,262</b>	<b>1,414,488</b>	<b>1,260,968</b>	<b>12,071,789</b>
Deferred Inflows of Resources						
Unavailable Revenue - Property Taxes	2,241,855	-	-	-	-	2,241,855
<b>Fund Balances</b>						
Reserved						
Nonspendable	40,000	-	-	-	-	40,000
Restricted	30,510	-	-	-	5,199,648	5,230,158
Assigned						
Funds to be used for future capital projects	1,070,052	-	-	-	-	1,070,052
Unassigned	1,333,397	-	-	-	(43)	1,333,354
<b>Total Fund Balances</b>	<b>2,473,959</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,199,605</b>	<b>7,673,564</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 7,877,546</b>	<b>\$ 1,445,339</b>	<b>\$ 4,789,262</b>	<b>\$ 1,414,488</b>	<b>\$ 6,460,573</b>	<b>\$ 21,987,208</b>

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

COUNTY OF LAWRENCE, PENNSYLVANIA  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
DECEMBER 31, 2017

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

Total fund balances of governmental funds	\$	7,673,564
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$82,697,820 and the accumulated depreciation is \$28,501,023.</p>		
		54,116,797
<p>Revenues not available to pay for current period expenditures and therefore reported as deferred inflows of resources in the funds:</p>		
Real estate taxes		2,241,855
<p>Governmental funds report the effect of discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:</p>		
Bond discounts		2,319
<p>Long-term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities. Both current and long-term liabilities are reported in the Statement of Net Position. Long-term liabilities at year-end consist of:</p>		
Long-term debt	(35,355,000)	
Unamortized Premium	(294,245)	
Accrued interest on long-term debt	(152,169)	
Capital Lease Payable	(32,344)	
Net Pension Asset	6,926,580	
Deferred Outflows of Resources - Pension	1,991,194	
Deferred Inflows of Resources - Pension	(4,162,047)	
Compensated Absences	(839,674)	
	(31,917,705)	
Total net position of governmental activities	\$	32,116,830

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

COUNTY OF LAWRENCE, PENNSYLVANIA  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2017

	General Fund	Mental Health/ Developmental Services	Children and Youth Services	Pass Through Grants	Total Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Taxes, Real estate	\$ 22,784,330	\$ -	\$ -	\$ -	\$ 2,415,625	\$ 25,199,955
Intergovernmental revenue	1,243,271	6,063,847	7,981,482	11,117,145	2,679,668	29,085,413
Charges for services	4,858,461	-	-	-	2,561,442	7,419,903
Interest income	21,421	1,543	-	839	4,845	28,648
Other revenue	363,836	495,172	224,750	-	186,535	1,270,293
<b>Total Revenues</b>	<b>29,271,319</b>	<b>6,560,562</b>	<b>8,206,232</b>	<b>11,117,984</b>	<b>7,848,115</b>	<b>63,004,212</b>
<b>Expenditures</b>						
Current operating:						
General government	7,269,757	-	-	-	151,845	7,421,602
Judicial	9,136,078	-	-	-	1,882,160	11,018,238
Public safety	8,923,210	-	-	-	2,110,636	11,033,846
Public works	-	-	-	-	652,993	652,993
Human services	-	6,909,067	9,565,558	8,517,984	260,191	25,252,800
Culture and recreation	239,732	-	-	-	441,875	681,607
Conservation and development	1,455,409	-	-	2,600,000	389,125	4,444,534
Miscellaneous	23,785	-	-	-	-	23,785
Debt service						
Principal	-	-	-	-	1,440,000	1,440,000
Interest	31,283	-	-	-	1,198,730	1,230,013
Capital outlay	-	-	-	-	303,233	303,233
<b>Total Expenditures</b>	<b>27,079,254</b>	<b>6,909,067</b>	<b>9,565,558</b>	<b>11,117,984</b>	<b>8,830,788</b>	<b>63,502,651</b>
Excess (deficiency) of revenues over expenditures	2,192,065	(348,505)	(1,359,326)	-	(982,673)	(498,439)
<b>Other financing sources (uses)</b>						
Transfers in	403,657	398,133	1,479,313	-	2,457,056	4,738,159
Transfers out	(4,334,502)	(49,628)	(119,987)	-	(234,042)	(4,738,159)
<b>Total other financing sources (uses)</b>	<b>(3,930,845)</b>	<b>348,505</b>	<b>1,359,326</b>	<b>-</b>	<b>2,223,014</b>	<b>-</b>
Net change in fund balance	(1,738,780)	-	-	-	1,240,341	(498,439)
Fund balance, beginning of year	4,212,739	-	-	-	3,959,264	8,172,003
Fund balance, end of year	\$ 2,473,959	\$ -	\$ -	\$ -	\$ 5,199,605	\$ 7,673,564

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

COUNTY OF LAWRENCE, PENNSYLVANIA  
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
FOR THE YEAR ENDED DECEMBER 31, 2017

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

Net Change in fund balances - total governmental funds	\$	(498,439)
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense is exceeded by capital outlay in the current period.</p>		
Capital outlays	591,695	
Depreciation expense	<u>(3,014,408)</u>	(2,422,713)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt.</p>		
Amortization of bond premium	22,870	
Amortization of bond discounts	(3,478)	
Change in interest payable on long-term debt	5,295	
Principal repayments	<u>1,440,000</u>	1,464,687
<p>The acquisition of capital assets through capital lease arrangements are only expensed when the monthly payments are made on the leases at the fund level. Such transactions only effect net position when new capital leases are entered into. This amount is the difference between capital lease payments and new capital lease obligations.</p>		
Payments made on capital lease obligations	<u>8,827</u>	8,827
<p>Governmental funds do not report the changes in compensated absences:</p>		
		(176,935)
<p>Governmental funds do not report the changes in net pension obligation and other related items:</p>		
Net pension asset	<u>(1,881,829)</u>	(1,881,829)
<p>Real estate taxes reported in the funds include receipt of prior year delinquent taxes and do not include revenue attributable to the current year's delinquent tax receivable. This amount is the net effect of these differences.</p>		
Current year	2,241,855	
Prior year	<u>(2,004,779)</u>	<u>237,076</u>
Changes in net position of governmental activities	\$	<u>(3,269,326)</u>

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

COUNTY OF LAWRENCE  
STATEMENT OF FIDUCIARY NET POSITION  
DECEMBER 31, 2017

	<u>Employee Retirement</u>	<u>Other Agency Funds</u>	<u>Total</u>
<u>Assets</u>			
Cash and Cash Equivalents	\$ 283,916	\$ 2,805,359	\$ 3,089,275
Investments	<u>78,994,705</u>	<u>-</u>	<u>78,994,705</u>
Total Assets	<u>\$ 79,278,621</u>	<u>\$ 2,805,359</u>	<u>\$ 82,083,980</u>
<u>Liabilities</u>			
Liabilities			
Funds Held in Fiduciary Capacity	<u>\$ -</u>	<u>\$ 2,805,359</u>	<u>\$ 2,805,359</u>
Total Liabilities	<u>-</u>	<u>2,805,359</u>	<u>2,805,359</u>
<u>Net Position</u>			
Held in Trust For			
Employees' Pension Benefits	<u>79,278,621</u>	<u>-</u>	<u>79,278,621</u>
Total Net Position	<u>\$ 79,278,621</u>	<u>\$ -</u>	<u>\$ 79,278,621</u>

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

COUNTY OF LAWRENCE  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2017

	Employee Retirement Trust Fund
Additions:	
Contributions:	
Employee	\$ 1,730,155
County Contribution	817,771
Total Contributions	2,547,926
Investment Income:	
Net Appreciation in Fair Value of Investments	9,100,017
Interest and Dividends	1,557,616
Total Investment Income	10,657,633
Less: Investment Expense	(131,723)
Net Investment Income	10,525,910
Total Additions	13,073,836
Deductions	
Employee Benefits Paid	3,215,880
Members' Contributions Refunded	342,314
Administrative Expenses	177,837
Miscellaneous	247
Total Deductions	3,736,278
Net Increase	9,337,558
Net Position Held In Trust For Employees' Pension Benefits:	
Beginning of Year	69,941,063
End of Year	\$ 79,278,621

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

COUNTY OF LAWRENCE  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the County's significant accounting policies consistently applied in the preparation of the accompanying financial statements is as follows:

The County of Lawrence (the "County") was formed in 1849. The County operates under the direction of an elected three member Board of Commissioners and provides the following services: general administrative services, tax assessment and collections, judicial, public improvements, public safety, public works, human services, culture and recreation, and conservation and development. The accompanying financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") applicable to governmental units, as prescribed by the Governmental Accounting Standards Board ("GASB").

A) Reporting Entity

The County follows the criteria promulgated by the Governmental Auditing Standards Board ("GASB") Statement No. 61, "*The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*", for purposes of determining the scope of its reporting entity. As required by accounting principles generally accepted in the United States of America, the financial statements include those of the County of Lawrence (the "Primary Government") and its Component Units. The County does not have any component units included in its reporting entity.

Related Organizations

The Board of County Commissioners is also responsible for appointing the members of the governing boards of other organizations, but the County's accountability for the organization does not extend beyond making the appointments. These organizations include:

- Lawrence County Planning Commission
- Lawrence County Airport Authority
- Lawrence County Conservation District
- Lawrence County Drug and Alcohol Commission Advisory Board
- Lawrence County Housing Authority
- Agricultural Land Preservation Board
- Federated Library Board
- Lawrence County Industrial Development Authority

B) Government-Wide and Fund Financial Statements

The Government-wide financial statements (i.e., statement of net position, and the statement of activities) report information on all the non-fiduciary activities of the primary government. The effect of interfund activity has been removed from these statements.

The Statement of Activities demonstrates the degree to which direct expenses of a given function, or segment, are affected by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

COUNTY OF LAWRENCE  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2017

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

B) Government-Wide and Fund Financial Statements (Continued)

Program revenues include 1.) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2.) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

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

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

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as other financing sources. Amounts paid to reduce long-term indebtedness of the reporting government are reported as reductions of the related liability, rather than as expenditures.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available.

Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 365 days of the end of the current fiscal period with the exception of property taxes which must be received within 60 days of the year end to be deemed available. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Licenses, operating and capital grants, and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when the cash is received by the County.

COUNTY OF LAWRENCE  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2017

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

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

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be a measure of "available spendable resources". Governmental funds operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during the period.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as other financing sources rather than as a fund liability. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The County reports the following major governmental funds:

- The General Fund is the primary government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues of this fund are primarily derived from real estate taxes, state and federal grants, and fees for services. Many of the basic activities of the County are accounted for in this fund including operation of general County government, boards, commissions, the court system, and health and welfare services.
- The Mental Health/Developmental Services Fund is used to account for proceeds of revenue received from various federal, state, and local sources. This fund is restricted for the provisions of the specified social services to eligible recipients.
- The Children and Youth Services Fund is used to account for proceeds of revenue received from various federal, state, and local sources. This fund is restricted for the provisions of the specified social services to eligible recipients.
- The Pass Through Grants Fund is used to account for revenues from federal and state grants that are given to various organizations throughout the county who administer the grants in accordance with the specified purpose of each grant.

COUNTY OF LAWRENCE  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2017

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

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

Additionally, the County reports the following fiduciary fund types:

- The Lawrence County Employee's Retirement Fund is a Pension Trust Fund used to account for the pension plan contributions of the County and its employees and the related benefit payments and other plan costs.
- The Agency Fund is used to account for assets held by certain County offices that are subsequently disbursed to the County, other governments, and other activities for which it was collected.

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

1. Cash and Cash Equivalents

The County considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. The County had cash overdrafts of \$4,398,773 due to timing issues with revenues.

2. Investments

Investments of the County are reported at fair value. Investments that do not have an established market value are reported at estimated values.

3. Interfund Transactions

The County affects a variety of transactions between funds to finance operations. Certain interfund transactions have not been paid or received as of December 31, 2017, and appropriate interfund receivables or payables have been established accordingly.

4. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the governmental activity column in the government-wide financial statements. Property, plant and equipment with initial, individual costs that equal or exceed \$5,000 and estimated useful lives of over one year are recorded as capital assets. The County adopted the provisions of GASB 34 related to infrastructure on the retroactive basis. Capital assets are recorded at historical costs or estimated historical costs if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are completed.

COUNTY OF LAWRENCE  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2017

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

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

4. Capital Assets (Continued)

Capital assets of the County are depreciated using the straight line method over the following intended useful lives:

<u>Asset</u>	<u>Years</u>
Buildings and Improvements	20-40
Equipment and Vehicles	5-15
Infrastructure	50

5. Allowance for Doubtful Accounts

Taxes receivable have been reported net of allowance for doubtful accounts of \$634,458.

6. Inventories

The County's Inventories consist entirely of central supplies and are therefore valued at historical cost.

7. Long-Term Obligations

In the government-wide financial statements, long-term debts are reported as liabilities in the Statement of Net Position and bond discounts and premiums are deferred and amortized over the life of the bonds using the straight line method. Bond issuance costs are expensed as incurred.

In the fund financial statements, the face amount of debt issued is reported as other financing sources.

8. Compensated Absences

County policy permits employees to accumulate a limited amount of earned but unused vacation and sick leave time. These benefits are payable to employees upon separation of services. All leave pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is recorded. The computed liability is in compliance with GASB 16, *Accounting for Compensated Absences*.

9. Unearned Revenues

Unearned revenues are reported in the government-wide, enterprise fund, and governmental fund financial statements. Unearned revenues represent unearned revenues or revenues which are measurable but not available and, in accordance with the modified accrual basis of accounting, are reported as unearned revenues. The County deems revenues received within 365 days of year end to be available with the exception of property taxes which must be received within 60 days of year end to be deemed available.

COUNTY OF LAWRENCE  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2017

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

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

10. Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has two types of items, which arise under a modified accrual basis of accounting, that qualify for reporting in this category, unavailable property tax revenue and deferred inflows of resources related to pensions. Unavailable property tax revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available. Deferred inflows of resources related to pensions are described further in Note 6. The annual difference between expected and actual experience is amortized over a 4.7 year period.

11. Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government only has one type of item, which arises under a modified accrual basis of accounting, that qualifies for reporting in this category. Deferred outflows of resources related to pensions are described further in Note 6. The annual difference between the projected and actual earnings on plan investments is amortized over a five-year closed period beginning the year in which the difference occurs (current year).

12. Net Position/Fund Balances

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- *Net Investment in Capital Assets* – This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- *Restricted Net Position* – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Position* – This category represents net position of the County, not restricted for any project or other purpose.

COUNTY OF LAWRENCE  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2017

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

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

12. Net Position/Fund Balances (Continued)

GASB Statement No. 54 establishes accounting and financial standards for all governments that report governmental funds. It establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions as follows:

- Non-spendable – This classification consists of accounts that cannot be spent because they are not in spendable form or are legally required to be maintained intact.
- Restricted – This classification consists of amounts that are restricted to specific purposes. The County's restricted fund balances consist of external enabling legislation for the state, federal, or local government.
- Committed – This classification consists of amounts used for specific purposes imposed by formal action of the County's Board of Commissioners. The removal or modification of the use of committed funds can only be accomplished by a formal action of the Commissioners prior to fiscal year end.
- Assigned – This classification consists of amounts constrained by the County's intent to be used for specific purposes that are neither restricted nor committed. The County Commissioners have delegated the authority to assign fund balance for specific purposes to the Chief Clerk and the County Controller.
- Unassigned – This classification consists of amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund is the only fund permitted to report a positive unassigned fund balance.

The County's GASB 54 policy is to first apply expenditures against any restricted fund balances, committed fund balances, assigned fund balances, and then unassigned fund balances, in that order.

13. Accounting Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual amounts may differ from those estimates.

COUNTY OF LAWRENCE  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2017

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

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

14. Adoption of Governmental Accounting Standards Board Statements

The County adopted the provisions of GASB Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans". The adoption of this statement had no effect on previously reported amounts.

The County adopted the provisions of GASB Statement No. 80, "Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14". The adoption of this statement had no effect on previously reported amounts.

The County adopted the provisions of GASB Statement No. 81, "Irrevocable Split-Interest Agreements". The adoption of this statement had no effect on previously reported amounts.

The County adopted the provisions of GASB Statement No. 82, "Pension Issues an amendment of GASB Statements No. 67, No. 68, and No. 73". The adoption of this statement had no effect on previously reported amounts.

15. Pending Changes in Accounting Principles

In June 2015, the GASB issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". The County is required to adopt statement No. 75 for its fiscal year 2018 financial statements.

In November of 2016, the GASB issued Statement No. 83 "Certain Asset Retirement Obligations". The County is required to adopt Statement No. 83 for its fiscal year 2019 financial statements.

In January 2017, the GASB issued Statement No. 84 "Fiduciary Activities". The County is required to adopt Statement No. 84 for its fiscal year 2019 financial statements.

In March 2017, the GASB issued Statement No. 85, "Omnibus 2017". The County is required to adopt Statement No. 85 for its fiscal year 2018 financial statements.

In May 2017, the GASB issued Statement No. 86, "Certain Debt Extinguishment Issues". The County is required to adopt Statement No. 86 for its fiscal year 2018 financial statements.

In June 2017, the GASB issued Statement No. 87, "Leases". The County is required to adopt Statement No. 87 for its fiscal year 2020 financial statements.

In April 2018 the GASB issued Statement No. 88, "Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements". The County is required to adopt Statement No. 88 for is fiscal year 2019 financial statements.

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

COUNTY OF LAWRENCE  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2017

## NOTE 2: BUDGETARY DATA

Commonwealth of Pennsylvania statutes require that all County Governments establish budgetary systems and approve annual operating budgets. The County's annual budget includes the General Fund and certain Special Revenue Funds and is based on estimates of revenues and expenditures approved by the Board of County Commissioners. The County of Lawrence adopted the 2017 budget on the same basis of accounting as reported in the fund financial statements. The County of Lawrence follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Commissioners' office then interviews each department head to discuss their budgets, as submitted, and allows them to substantiate projected expenditures.
2. Upon consolidation of department and agency expenditure projections, the Commissioners' office ascertains the most viable method of financing them.
3. Subsequently, the Budget Director assembles the preliminary projections of revenues and expenditures into a final budget incorporating any revisions or adjustments resulting from the aforementioned Commissioners' review.
4. 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.
5. After a 20 day inspection period, but no later than December 31, the Commissioners adopt the final budget by enacting the appropriate resolution.

During the course of the year, departmental needs may change, emergencies may occur, or additional revenue sources may arise. As a result, funds are often transferred between line items of the department's budget or additional revenue may need to be budgeted for a specific project or grant. Adjustments to the budget are made on a line item basis during the year and are approved by the County Commissioners. Financial analysis is provided monthly to management showing spending levels in comparison to the current budget. The budget is also reviewed by management with other departments.

## NOTE 3: DEPOSITS AND INVESTMENTS

As of December 31, 2017, the County had the following investments:

	<u>Cost</u>	<u>Market</u>
Fiduciary Funds		
Retirement Fund		
Equity Mutual Funds	\$ 42,862,122	\$ 49,820,844
Fixed Income Mutual Funds	19,103,592	18,663,891
Miscellaneous	<u>10,098,740</u>	<u>10,509,970</u>
 Total Fiduciary Fund Investments	 <u>\$ 72,064,454</u>	 <u>\$ 78,994,705</u>

*Interest Rate Risk* – The County's Retirement Fund does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk* – The County has no formal investment policy for its operating funds that addresses credit risk.

COUNTY OF LAWRENCE  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2017

## NOTE 3: DEPOSITS AND INVESTMENTS (CONTINUED)

*Custodial Credit Risk* – For deposits and investments, custodial credit risk is the risk that in the event of the failure of the counterparty, the County will be able to recover the value of its investment or collateral securities that are in the possession of an outside party. As of December 31, 2017, the County’s cash balances for its governmental and agency fund were \$9,502,186 and its bank balances were \$9,682,372. Of these bank balances, \$9,166,199 was collateralized with securities held by the pledging financial institutions, or by their trust departments or agents, but not in the County’s name. The entire cash and cash equivalent balance in the Retirement Fund was collateralized with securities held by the pledging financial institutions, or by their trust departments or agents, but not in the County’s name. None of the County’s retirement investments were exposed to custodial credit risk at December 31, 2017 because the custodians hold the securities in an account that designates the County as the owner of the securities.

*Concentration of Credit Risk* – The County has no formal investment policy for operating investments pertaining to the concentration of credit risk. At December 31, 2017, the County is not subject to concentration of credit risk.

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

At December 31, 2017, the County had the following recurring fair value measurements:

	<u>Fair Value Measurements Using</u>			
	<u>12/31/2017</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b><u>Investments measured by fair value level</u></b>				
Equity Mutual Funds	\$ 49,820,844	\$ 49,820,844	\$ -	\$ -
Fixed Income Mutual Funds	18,663,891	18,663,891	-	-
Total investments by fair value level	<u>\$ 68,484,735</u>	<u>\$ 68,484,735</u>	<u>\$ -</u>	<u>\$ -</u>
<b><u>Investments measured at the net asset value (NAV)</u></b>				
	<u>Fair Value</u>	<u>Redemption Frequency (If Currently Eligible</u>	<u>Redemption Notice Period</u>	
Global Opportunities hedge funds (1)	\$ 4,617,344	Quarterly	30-45 days	
Multi-strategy hedge funds (2)	<u>5,892,626</u>	Quarterly	30-60 days	
Total investments measured at the NAV	<u>10,509,970</u>			
Total investments measured at fair value	<u><u>\$ 78,994,705</u></u>			

COUNTY OF LAWRENCE  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2017

NOTE 3: DEPOSITS AND INVESTMENTS (CONTINUED)

- (1) *Global opportunities hedge funds.* This type includes investments in 5 hedge funds that hold approximately 80 percent of the funds' investments in non-U.S. common stocks in the healthcare, energy, information technology, utilities, and telecommunications sectors and approximately 20 percent of the funds' investments in diversified currencies. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the investments.
- (2) *Multi-strategy hedge funds.* This type invests in 15 hedge funds that pursue multiple strategies to diversify risks and reduce volatility. The hedge funds' composite portfolio for this type includes investments in approximately 50 percent U.S. common stocks, 30 percent global real estate projects, and 20 percent arbitrage investments. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the investments.

NOTE 4: PROPERTY TAXES

Real Estate Property Taxes

Real estate property taxes for the calendar year are levied on March 1 of each year. Any unpaid real estate taxes attach as an enforceable lien on property as of January 1 of the following year. Taxes are levied on March 1 and payable with a 2% discount to April 30, with no discount or penalty to June 30 and with a 10% penalty thereafter. The County bills these taxes which are collected by the County Treasurer.

The County is permitted by the County Code of the Commonwealth of Pennsylvania to levy real estate taxes up to 25 mills on every dollar of adjusted valuation for general County purposes exclusive of the requirements for the payment of interest and principal on bonded or funded debt. In 2017 the County had total millage of 6.999 mills on 100% of the assessed valuation, of which .603 mills were reserved for principal and interest on debt, .135 mills were reserved for special purposes, and 6.261 mills were for general County purposes.

The County's 2017 real estate taxes are based on assessed values established by the County's Bureau of Assessments. Assessed values of real property are generally 100% of the base year value (2001) as determined by the Lawrence County Tax Assessment Office. The total 2017 real estate taxes levied was \$24,986,256 based on a total County assessed valuation of \$3,569,973,128. Based on the 2017 levy of 6.999 mills, a property owner would pay \$7.00 per \$1,000 of assessed valuation.

COUNTY OF LAWRENCE  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2017

## NOTE 5: CAPITAL ASSETS

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

GOVERNMENTAL ACTIVITIES	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated:				
Land	\$ 546,459	\$ -	\$ -	\$ 546,459
Construction in Progress	512,484	309,363	(424,825)	397,022
Total Capital Assets, Not Being Depreciated	<u>1,058,943</u>	<u>309,363</u>	<u>(424,825)</u>	<u>943,481</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	35,659,097	142,451	-	35,801,548
Equipment and Vehicles	13,771,789	187,996	-	13,959,785
Infrastructure	31,616,296	376,710	-	31,993,006
Total Capital Assets, Being Depreciated	<u>81,047,182</u>	<u>707,157</u>	<u>-</u>	<u>81,754,339</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	(16,063,134)	(976,476)	-	(17,039,610)
Equipment and Vehicles	(3,609,631)	(1,213,641)	-	(4,823,272)
Infrastructure	(5,893,850)	(824,291)	-	(6,718,141)
Total Accumulated Depreciation	<u>(25,566,615)</u>	<u>(3,014,408)</u>	<u>-</u>	<u>(28,581,023)</u>
Total Capital Assets, Being Depreciated, Net	<u>55,480,567</u>	<u>(2,307,251)</u>	<u>-</u>	<u>53,173,316</u>
Governmental Activities Capital Assets, Net	<u>\$ 56,539,510</u>	<u>\$ (1,997,888)</u>	<u>\$ (424,825)</u>	<u>\$ 54,116,797</u>

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

Governmental Activities:	
General Government - Administrative	\$ 365,867
General Government - Judicial	10,881
Public Safety	1,756,110
Public Works	826,372
Human Services	19,085
Culture and Recreation	33,841
Conservation and Development	<u>2,252</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 3,014,408</u>

## NOTE 6: EMPLOYEE RETIREMENT TRUST FUND

The Lawrence County Employee's Retirement Plan (the "Plan") is a single-employer defined benefit pension plan that covers all full time employees of the County. The plan provides retirement, disability and death benefits to plan members and their beneficiaries. The Plan is part of the County's financial reporting entity and is included in the County's financial statements as a Pension Trust Fund.

COUNTY OF LAWRENCE  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2017

NOTE 6: EMPLOYEE RETIREMENT TRUST FUND (CONTINUED)

Summary of Significant Accounting Policies

*Method used to value investments.* Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Real estate assets are reported at fair value utilizing an income approach to valuation. An independent appraisal should be obtained once every year to determine the fair market value of the real estate assets.

Description of Plan

*Plan Administration.* The Retirement Board administers the Lawrence County Employees Pension Plan. The Plan is governed by the 1971 County Pension Law, Act 96, of the General Assembly of the Commonwealth of Pennsylvania, as amended (the "Act"). Benefit and contribution provisions of the Plan are established and can be amended as provided by the Act. Cost of living adjustments are provided at the discretion of the County Retirement Board.

Management of the Plan is vested in the Board, which consists of five members - three elected County Commissioners, the County Controller and the County Treasurer.

*Plan membership.* For the 2017 measurement period, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	303
Inactive plan members entitled to but not yet receiving benefits	41
Active plan members	<u>402</u>
	<u>746</u>

*Benefits provided.* Lawrence County Employees Pension Plan provides retirement, disability, and death benefits. Retirement benefits for plan members are calculated as a percent of the member's highest 3-year average salary times the member's years of service depending on class basis. Plan members with 20 years of service are eligible to retire at age 55. Plan members that have attained age 60 are eligible to retire. All plan members are eligible for disability benefits after 5 years of service if disabled while in service and unable to continue as a county employee. Disability retirement benefits are equal to 25% of highest average salary at time of retirement. Death benefits for a member who dies with 10 years of service prior to retirement is the total present value of member's retirement paid in a lump sum. A plan member who leaves County service with less than 5 years of service may withdraw his or her contributions, plus any accumulated interest.

*Contributions.* The Retirement Board establishes contribution rates based on an actuarially determined contribution recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. For the year ended December 31, 2017, the minimum required active member contribution rate was 8 percent of annual pay and the County's average contribution rate was 4.96% of annual payroll. Employees may contribute up to an additional 10% of gross pay, at their option. Per Act 96 of 1971, as amended, contribution requirements of the Plan members and the County may be amended by the General Assembly of the Commonwealth of Pennsylvania. Interest is credited each year in an amount allowed by the County Retirement Board to each member's account.

COUNTY OF LAWRENCE  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2017

NOTE 6: EMPLOYEE RETIREMENT TRUST FUND (CONTINUED)

Administrative costs of the Plan may be financed through investment earnings. The Act makes no provision for termination of the Plan. The County does not issue a separate financial report for the Plan.

Legally Required Reserves

At December 31, 2017, the County has a balance of \$24,118,214 in the Members' Annuity Reserve Account. This account is the total of the contributions deducted from the salaries of the active and terminated vested members of the retirement system and the IRC 414(h)(2) pickup contributions together with the interest additions as of December 31, 2017. Since these accumulations represent the present value as of December 31, 2017 of future benefits, the reserve balance and liability are identical.

The County has a balance of \$20,661,385 in the County Annuity Reserve Account as of December 31, 2017. This balance and the amounts expected to be credited in the future, plus investment earnings, represent the reserves set aside for the payment of the County's share of the retirement allowances and this reserve is fully funded.

This is the account out of which regular interest is credited to the member's annuity and retired members' reserve account, administrative expenses may be paid and the pension obligations of the county are funded.

When a County annuity is scheduled to commence for a particular member, sufficient monies are transferred from the County annuity reserve account to the retired members' reserve account to provide for such County annuities actually entered into.

The Retired Members' Reserve Account is the account out of which monthly retirement allowances, including cost-of-living adjustments and death benefits are paid. The balance in this account was \$34,499,022 as of December 31, 2017. The corresponding liability for those annuitants on the roll is identical.

Plan Reporting

*Net Pension Liability of the County*

The total pension liability was based on an actuarial valuation dated January 1, 2016 and update procedures were used to rollforward the total pension liability to the December 31, 2017 measurement date. The components of the net pension liability of the County for the 2017 measurement period were as follows:

Total Pension Liability	\$ 72,352,041
Plan Fiduciary Net Position	79,278,621
Net Pension Liability	<u>\$ (6,926,580)</u>

Plan fiduciary net position	
as a percentage of	
the total pension liability	109.57%

Changes in the County's net pension liability for the plan for the year ended December 31, 2017 were as follows:

COUNTY OF LAWRENCE  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2017

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 12/31/16	\$ 67,891,334	\$ 69,941,063	\$ (2,049,729)
Service Cost	2,437,330	-	2,437,330
Interest Cost	4,794,118	-	4,794,118
Changes of Benefit Terms	71,769	-	71,769
Changes for Experience	715,684	-	715,684
Contributions - Employer	-	817,771	(817,771)
Contributions - Member	-	1,730,155	(1,730,155)
Net Investment Income	-	10,525,910	(10,525,910)
Benefit Payments, including			
Refunds of Member Contributions	(3,558,194)	(3,558,194)	-
Administrative Expense	-	(177,837)	177,837
Other Changes	-	(247)	247
Net Changes	<u>4,460,707</u>	<u>9,337,558</u>	<u>(4,876,851)</u>
Balances at 12/31/17	<u>\$ 72,352,041</u>	<u>\$ 79,278,621</u>	<u>\$ (6,926,580)</u>

*Deferred Outflows of Resources*

The total pension expense recognized in 2017 for the plan was \$2,699,601. At December 31, 2017, the County reported deferred outflows of resources related to the pension plan from the following sources:

	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 251,079	\$ 563,411
Changes in Assumptions	-	1,427,783
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	<u>3,910,968</u>	<u>-</u>
Total	<u>\$ 4,162,047</u>	<u>\$ 1,991,194</u>

The deferred outflows of resources will be recognized in pension expense as follows:

<u>Year Ended December 31:</u>	<u>Governmental Activities</u>
2018	\$ 63,486
2019	63,486
2020	(885,364)
2021	<u>(1,412,461)</u>
Total	<u>\$ (2,170,853)</u>

COUNTY OF LAWRENCE  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2017

NOTE 6: EMPLOYEE RETIREMENT TRUST FUND (CONTINUED)

The schedule of changes in the net pension liability and related ratios, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about the plan.

Plan Actuarial Methods and Assumptions

*Actuarial assumptions.* The total pension liability was determined by an actuarial valuation for the 2017 measurement period, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.5 percent, average, including inflation
Investment rate of return	7.5 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the valuation for the 2017 measurement period were based on past experience under the plan and reasonable future expectations which represent our best estimate of anticipated experience under the plan. No experience studies have been performed in the last 10 years.

Under the Act, cost-of-living adjustments to each member's retirement allowance shall be reviewed at least once every three years subsequent to the member's retirement date. The adjustment, should the Plan elect to give one, is a percentage of the change in the Consumer Price Index. The Plan did not include an assumption for projected ad hoc postemployment benefit changes as they are not considered to be substantively automatic.

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

The following was the Board's asset allocation policy for the 2017 measurement period:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity	49%
International equity	18%
Fixed income	24.5%
Real Estate/Alternative	8%
Cash	<u>0.5%</u>
Total	<u>100%</u>

COUNTY OF LAWRENCE  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2017

NOTE 6: EMPLOYEE RETIREMENT TRUST FUND (CONTINUED)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation for the 2017 measurement period (see the discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	5.4-6.4%
International equity	5.5-6.5
Fixed income	1.3-3.3
Real Estate/Alternative	4.5-5.5
Cash	0.0-1.0

*Discount rate.* The discount rate used to measure the total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that County contributions will be made at rates equal to the actuarially determined contribution rates in accordance with the County's recently adopted funding policy. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the net pension liability to changes in the discount rate.* The following presents the net pension liability of the County, calculated using the discount rate of 7.0 percent, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0 percent) or 1-percentage-point higher than the current rate:

	1% Decrease <u>(6.0%)</u>	Current Discount Rate <u>(7.0%)</u>	1% Increase <u>(8.0%)</u>
County's net pension liability	\$567,051	(\$6,926,580)	(\$13,453,659)

*Rate of return.* For the 2017 measurement period, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 15.40 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

COUNTY OF LAWRENCE  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2017

## NOTE 7: LONG-TERM OBLIGATIONS

A summary of changes in long-term debt obligations for 2017 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<u>Governmental Activities:</u>					
<u>Bonds and Notes Payable:</u>					
General Obligation Bonds	\$ 10,940,000	\$ -	\$ (1,440,000)	\$ 9,500,000	\$ 305,000
General Obligation Notes	25,855,000	-	-	25,855,000	1,140,000
Total Bonds and Notes Payable	<u>36,795,000</u>	<u>-</u>	<u>(1,440,000)</u>	<u>35,355,000</u>	<u>1,445,000</u>
			Less amounts due within one year	<u>(1,445,000)</u>	
				<u><u>33,910,000</u></u>	
<u>Other Liabilities:</u>					
Capital Lease Obligations	41,171	-	(8,827)	32,344	9,334
Compensated Absences	662,739	176,935	-	839,674	-
Total Other Liabilities	<u>703,910</u>	<u>176,935</u>	<u>(8,827)</u>	<u>872,018</u>	<u>9,334</u>
Governmental Activities Long-Term Liabilities	<u>\$ 37,498,910</u>	<u>\$ 176,935</u>	<u>\$ (1,448,827)</u>	<u>\$ 36,227,018</u>	<u>\$ 1,454,334</u>

An analysis of debt service requirements to maturity on these obligations follows (with the exception of capital leases and compensated absences liability):

Governmental Activities Year Ended December 31:	Principal Requirements	Interest Requirements	Total Debt Service Requirements
2018	\$ 1,445,000	\$ 1,200,952	\$ 2,645,952
2019	1,480,000	1,166,261	2,646,261
2020	1,515,000	1,128,888	2,643,888
2021	1,555,000	1,088,526	2,643,526
2022	1,595,000	1,046,585	2,641,585
2023-2027	8,830,000	4,376,970	13,206,970
2028-2032	10,470,000	2,752,879	13,222,879
2033-2037	6,195,000	979,345	7,174,345
2038-2041	<u>2,270,000</u>	<u>266,340</u>	<u>2,536,340</u>
Total	<u>\$ 35,355,000</u>	<u>\$ 14,006,746</u>	<u>\$ 49,361,746</u>

COUNTY OF LAWRENCE  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2017

## NOTE 7: LONG-TERM OBLIGATIONS (CONTINUED)

Pertinent information regarding long-term debt obligations outstanding is presented below:

<u>Governmental Activities</u>			Balance Outstanding
<u>Issuance</u>	<u>Amount of Original Issue</u>	<u>Purpose</u>	<u>December 31, 2017</u>
Refunding Series of 2009	\$ 3,935,000	General Obligation Bond with a variable interest rate ranging from 1 to 3.4% maturing in 2018 used to refund series B of 2003, fund a capital project, and pay the costs of issuance.	\$ 40,000
Refunding Series A of 2013	\$ 4,025,000	General Obligation Note with a 2.5% interest rate through 2019 used to refund Series A, B, and C of 2012 and to pay the costs of issuance.	\$ 2,135,000
Refunding Series B of 2013	\$ 3,545,000	General Obligation Note with a 2.5% interest rate through 2022 used to refund Series A of 2003 and to pay the costs of issuance.	\$ 3,545,000
Refunding Series A of 2014	\$ 18,790,000	General Obligation Note with a variable interest rate ranging from 3.0 to 5.0% maturing in 2034 used to fund a radio communications infrastructure system, emergency operations center and to pay the costs of issuance.	\$ 18,790,000
Refunding Series B of 2014	\$ 1,395,000	General Obligation Note with a variable interest rate ranging from 1.0 to 3.0% maturing in 2023 used to refund a portion of series 2009 and pay the costs of issuance. The new notes were used to refund a portion of the Series 2009 Bonds. The refunding resulted in a difference between the cash flow required to service the old debt and that required to services the new debt of (\$262,713). The refunding also resulted in an economic loss (difference between the present value of the debt service payments on the old and new debt) of (\$56,615).	\$ 1,385,000
General Obligation Series of 2016	\$ 9,755,000	General Obligation Bond with a variable interest rate ranging from 1.2% to 4.6%. The bond was used to help fund the Employee Retirement Fund.	\$ 9,460,000
Total Long Term Obligations			\$ 35,355,000

COUNTY OF LAWRENCE  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2017

## NOTE 7: LONG-TERM OBLIGATIONS (CONTINUED)

Capital Leases

The County has entered into capital leases for equipment to be used in operations. Amortization expense has been included with depreciation. Future minimum lease payments at December 31, 2017 and present value of capital lease obligations were:

<u>Year ended December 31</u>	<u>Governmental Activities</u>
2018	\$ 10,908
2019	10,908
2020	<u>13,635</u>
Total Minimum Lease Payments	35,451
Less amount representing interest	<u>(3,107)</u>
Present value of net minimum lease payments	<u>32,344</u>
Less: Amount Due Within One Year	<u>9,334</u>
	<u>\$ 23,010</u>

## NOTE 8: LINE OF CREDIT

During 2017, a \$1,500,000 revolving line of credit was established for capital improvement purposes. The line expires December 31, 2022 and bears a variable interest rate based on the lender's prime rate. The County did not draw on the line of credit during the year ended December 31, 2017 and the outstanding balance at year end was \$0.

## NOTE 9: INTERFUND RECEIVABLES AND PAYABLES

Certain funds have paid the expenditures of the other funds and the amounts have not been repaid at year end, resulting in interfund balances. Interfund receivable and payable balances of each major fund as of December 31, 2017, are as follows:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 27,950	\$ 1,328,080
Mental Health/Developmental Services	401,641	-
Children and Youth Services	-	31,458
Other Governmental Funds	<u>929,948</u>	<u>1</u>
Total Interfund Balances	<u>\$ 1,359,539</u>	<u>\$ 1,359,539</u>

The outstanding balances between the funds result mainly from the time lag between the dates that (1) interfund goods and services are provided, (2) reimbursable expenditures occur, and (3) payments between funds are made.

COUNTY OF LAWRENCE  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2017

## NOTE 10: INTERFUND OPERATING TRANSFERS

Interfund operating transfers are as follows:

<u>Governmental Fund Types</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 403,657	\$ 4,334,502
Mental Health/Developmental Services	398,133	49,628
Children and Youth Services	1,479,313	119,987
Other Governmental Funds	2,457,056	234,042
Total Interfund Transfers	<u>\$ 4,738,159</u>	<u>\$ 4,738,159</u>

Certain funds are required to fund a portion or all of the expenses of other funds or cover deficits in those funds. The County records operating transfers to account for these transactions.

## NOTE 11: FUND BALANCES

Under GASB 54, fund balances are recorded as non-spendable, restricted, committed, assigned, and unassigned. The following restrictions are included in the fund financial statements:

**Major Funds:**

General Fund	<u>Non-spendable:</u> These amounts are prepaid expenses	\$ 40,000
	<u>Restricted Funds:</u> These funds are restricted for the Coroner under Act 122	30,510
	<u>Assigned Funds:</u> These funds are to be used for future capital projects	2,000,000
 <b>Nonmajor Governmental Funds</b>		
Special Revenue Funds	<u>Restricted Funds:</u> These funds are restricted within the departments of General Government These funds are restricted within the Judicial System These funds are restricted within Public Safety programs These funds are restricted within Public Works programs	334,202 1,143,980 431,120 2,841,632
Capital Projects Funds	<u>Restricted Funds:</u> These funds are restricted within Public Works programs	<u>448,714</u>
	Total Special Revenue Funds	<u><u>5,199,648</u></u>

## NOTE 12: LITIGATION

The County is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the County's financial statements.

COUNTY OF LAWRENCE  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2017

NOTE 13: TAX ABATEMENTS

Tax Abatements are the result of agreements that are entered into by the County to forgo real estate tax revenues for the promise by an individual or entity to take specific action that contributes to economic development in the County. Currently, there are no tax abatements entered into by other governments that reduce the County's tax revenues. The County has one real estate tax abatement program: Local Economic Revitalization Tax Assistance (LERTA).

Local Economic Revitalization Tax Assistance (LERTA)

The LERTA program is a tool to encourage private investment and rehabilitation of deteriorated properties within Lawrence County. The LERTA program exists pursuant to the Commonwealth of Pennsylvania Local Economic Revitalization Tax Assistance Act 76 of 1977 (72 P.S. §4722, et seq.). Authorization of a LERTA can be driven by either a developer for a specific project or a municipality seeking to redevelop a deteriorated area or facilitate a new economic development project. The Lawrence County LERTA Program Guidelines created by Lawrence County Commissioners (LCC) provide an understanding of the County's policy and requirements for using LERTA. Evaluation requirements considered for a LERTA include economic and fiscal impact of the new development, demonstration of the need for LERTA, value added to local economy, private investment leverage, type and location of development. The LERTA Project Review Form is evaluated by LCC to determine eligibility under requirements set forth by the Commonwealth and County. LCC facilitates a meeting for community engagement in the Project. Prior to the County ordinance authorizing the LERTA exemption, the local municipal government must affix the boundaries of the deteriorated area during a public hearing. The determination of deteriorated areas takes into account criteria set forth in the Urban Redevelopment Law of Pennsylvania of May 24, 1945 (35 P.S. 1701, et seq.). LERTA allows for an exemption of real estate property tax for the assessed valuation of new construction or improvements to certain industrial, commercial or other business property in deteriorated areas. An exemption is provided on the assessment attributable to a portion of the actual cost of new construction or improvements. Each agreement has a proposed development, termination date and maximum tax exemption and/or yearly maximum tax exemptions. The LERTA exemption schedule is 5 years at 100% declining each year by 20%. The Lawrence County Office of Property Assessment (OPA) assesses the property to determine the valuation attributable to the actual costs of the improvements to the deteriorated property in conjunction with the project. The exemption is based off of the increase in assessment after the property has been completed and reassessed by the OPA. If the assessment of the improvement has not increased by more than \$100,000 the application for abatement will be null and void. There is no provision or conditions for recapturing. During 2017, five (5) properties received an exemption from County's real estate property tax. The total County tax abated during 2017 was \$28,041 related to various projects throughout the County.

NOTE 14: DEFICIT FUND BALANCES

For the year ended December 31, 2017, the following fund had a deficit fund balance:

Governmental Funds	
JPO Fund	\$ (43)
Total Deficit Fund Balance	<u>(43)</u>

Revenues were not sufficient to fund the expenditures in the above funds. The General Fund will offset these deficits.

**REQUIRED  
SUPPLEMENTAL  
INFORMATION**

County of Lawrence  
Schedule of Changes in the Net  
Pension Liability and Related Ratios

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>Total pension liability</b>				
Service cost	\$ 2,089,847	\$ 2,159,545	\$ 2,306,848	\$ 2,437,330
Interest	4,179,415	4,384,861	4,325,556	4,794,118
Changes of benefit terms	-	-	-	71,769
Differences between expected and actual experience	(85,031)	(352,982)	(97,741)	715,684
Changes of assumptions	-	-	2,485,399	-
Benefit payments, including refunds of member contributions	(3,043,490)	(3,390,622)	(3,049,795)	(3,558,194)
Net change in total pension liability	3,140,741	2,800,802	5,970,267	4,460,707
Total pension liability - beginning	55,979,524	59,120,265	61,921,067	67,891,334
Total pension liability - ending (a)	<u>\$ 59,120,265</u>	<u>\$ 61,921,067</u>	<u>\$ 67,891,334</u>	<u>\$ 72,352,041</u>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 1,026,903	\$ 1,072,536	\$ 10,699,205	\$ 817,771
Contributions - member	1,501,991	1,566,393	1,646,956	1,730,155
Net investment income	3,421,262	310,518	3,603,333	10,525,910
Benefit payments, including refunds of member contributions	(3,043,490)	(3,390,622)	(3,049,795)	(3,558,194)
Administrative expense	(118,077)	(145,898)	(145,139)	(177,837)
Other	3,154	2,551	93,447	(247)
Net change in plan fiduciary net position	2,791,743	(584,522)	12,848,007	9,337,558
Plan fiduciary net position - beginning	54,885,835	57,677,578	57,093,056	69,941,063
Plan fiduciary net position - ending (b)	<u>\$ 57,677,578</u>	<u>\$ 57,093,056</u>	<u>\$ 69,941,063</u>	<u>\$ 79,278,621</u>
County's net pension liability - ending (a) - (b)	\$ 1,442,687	\$ 4,828,011	\$ (2,049,729)	\$ (6,926,580)
Plan fiduciary net position as a percentage of the total pension liability	97.56%	92.20%	103.02%	109.57%
Covered-employee payroll	\$ 14,556,225	\$ 15,166,225	\$ 15,472,166	\$ 16,503,662
County's net pension liability as a percentage of covered-employee payroll	9.9%	31.8%	-13.2%	-42.0%

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Actuarially determined contribution	\$ 817,771	\$ 1,080,912	\$ 1,012,536	\$ 966,903	\$ 1,219,440	\$ 1,378,486	\$ 1,294,603	\$ 1,115,930	\$ 1,274,664	\$ 632,310
Contributions in relation to the actuarially determined contribution	817,771	10,699,205	1,072,536	1,026,903	1,279,440	1,438,486	1,354,603	1,250,000	300,000	634,819
Contribution deficiency (excess)	\$ -	\$ (9,618,293)	\$ (60,000)	\$ (60,000)	\$ (60,000)	\$ (60,000)	\$ (60,000)	\$ (134,070)	\$ 974,664	\$ (2,509)
Covered-employee payroll	\$ 16,503,662	\$ 15,472,166	\$ 15,472,166	\$ 14,556,225	\$ 14,556,225	\$ 14,322,852	\$ 13,938,183	\$ 13,613,069	\$ 12,871,166	\$ 13,603,676
Contributions as a percentage of covered-employee payroll	4.96%	69.15%	6.93%	7.05%	8.79%	10.04%	9.72%	9.18%	2.33%	4.67%

**Notes to Schedule**

Valuation date January 1, 2017

Actuarially determined contribution rates are calculated as of January 1, one year prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level dollar
Remaining amortization period	25 years
Asset valuation method	The method that is prescribed by Pennsylvania State Law, Act 44
Inflation	3.0%
Salary increases	3.5% average, including inflation
Investment rate of return	7.0%, net of pension plan investment expense, including inflation
Retirement age	Age 60 or 55 with 20 years' service
Mortality	2013 RP Annuitant and Non-Annuitant Mortality Tables for males and females with no projected improvement

County of Lawrence  
Schedule of Investment Returns  
Last 10 Fiscal Years

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	6.75%	1.00%	7.00%	15.40%

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

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COUNTY OF LAWRENCE, PENNSYLVANIA  
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes, Real estate	\$ 23,351,940	\$ 23,351,940	\$ 22,784,330	\$ (567,610)
Intergovernmental grants	1,492,802	1,492,802	1,243,271	(249,531)
Charges for services	5,589,504	5,589,504	4,858,461	(731,043)
Interest income	19,821	19,821	21,421	1,600
Other revenue	360,050	360,050	363,836	3,786
Total Revenues	<u>30,814,117</u>	<u>30,814,117</u>	<u>29,271,319</u>	<u>(1,542,798)</u>
<b>Expenditures</b>				
Current operating:				
General government	\$ 7,170,838	\$ 7,170,838	7,269,757	(98,919)
Judicial	9,320,186	9,320,186	9,136,078	184,108
Public safety	9,377,944	9,377,944	8,923,210	454,734
Culture and recreation	263,403	263,403	239,732	23,671
Conservation and development	1,752,750	1,752,750	1,455,409	297,341
Miscellaneous	40,000	40,000	23,785	16,215
Debt service	30,000	30,000	31,283	(1,283)
Total Expenditures	<u>27,955,121</u>	<u>27,955,121</u>	<u>27,079,254</u>	<u>875,867</u>
Excess (deficiency) of revenues over expenditures	<u>2,858,996</u>	<u>2,858,996</u>	<u>2,192,065</u>	<u>(666,931)</u>
<b>Other financing sources (uses)</b>				
Transfers in	1,040,390	1,040,390	403,657	(636,733)
Transfers out	(3,899,386)	(3,899,386)	(4,334,502)	(435,116)
Total other financing sources (uses)	<u>(2,858,996)</u>	<u>(2,858,996)</u>	<u>(3,930,845)</u>	<u>(1,071,849)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,738,780)</u>	<u>\$ (1,738,780)</u>

COUNTY OF LAWRENCE, PENNSYLVANIA  
 BUDGETARY COMPARISON SCHEDULE - MENTAL HEALTH/DEVELOPMENTAL SERVICES  
 FOR THE YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Intergovernmental grants	\$ 6,432,081	\$ 6,432,081	\$ 6,063,847	\$ (368,234)
Interest income	1,200	1,200	1,543	343
Other revenue	565,000	565,000	495,172	(69,828)
Total Revenues	<u>6,998,281</u>	<u>6,998,281</u>	<u>6,560,562</u>	<u>(437,719)</u>
<b>Expenditures</b>				
Current operating:				
Human services	7,220,469	7,220,469	6,909,067	311,402
Total Expenditures	<u>7,220,469</u>	<u>7,220,469</u>	<u>6,909,067</u>	<u>311,402</u>
Excess (deficiency) of revenues over expenditures	<u>(222,188)</u>	<u>(222,188)</u>	<u>(348,505)</u>	<u>(126,317)</u>
<b>Other financing sources (uses)</b>				
Transfers in	262,121	262,121	398,133	136,012
Transfers out	<u>(39,933)</u>	<u>(39,933)</u>	<u>(49,628)</u>	<u>(9,695)</u>
Total other financing sources (uses)	<u>222,188</u>	<u>222,188</u>	<u>348,505</u>	<u>126,317</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

COUNTY OF LAWRENCE, PENNSYLVANIA  
 BUDGETARY COMPARISON SCHEDULE - CHILDREN & YOUTH SERVICES  
 FOR THE YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Intergovernmental grants	\$ 9,611,735	\$ 9,611,735	\$ 7,981,482	\$ (1,630,253)
Other revenue	-	-	224,750	224,750
Total Revenues	<u>9,611,735</u>	<u>9,611,735</u>	<u>8,206,232</u>	<u>(1,405,503)</u>
<b>Expenditures</b>				
Current operating:				
Human services	10,935,799	10,935,799	9,565,558	1,370,241
Total Expenditures	<u>10,935,799</u>	<u>10,935,799</u>	<u>9,565,558</u>	<u>1,370,241</u>
Excess (deficiency) of revenues over expenditures	<u>(1,324,064)</u>	<u>(1,324,064)</u>	<u>(1,359,326)</u>	<u>(35,262)</u>
<b>Other financing sources (uses)</b>				
Transfers in	1,445,068	1,445,068	1,479,313	34,245
Transfers out	<u>(121,004)</u>	<u>(121,004)</u>	<u>(119,987)</u>	<u>1,017</u>
Total other financing sources (uses)	<u>1,324,064</u>	<u>1,324,064</u>	<u>1,359,326</u>	<u>35,262</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**OTHER  
SUPPLEMENTAL  
INFORMATION**

COUNTY OF LAWRENCE, PENNSYLVANIA  
COMBINING BALANCE SHEET  
DECEMBER 31, 2017

Assets	Nonmajor Special Revenue Funds	Capital Projects	Total Nonmajor Governmental Funds
Cash and Cash Equivalents	\$ 4,382,078	\$ 89,976	\$ 4,472,054
Restricted cash	10,237	-	10,237
Receivables:			
Other Governmental Grants	486,213	-	486,213
Other	562,121	-	562,121
Due from Other Funds	-	929,948	929,948
<b>Total Assets</b>	<b>\$ 5,440,649</b>	<b>\$ 1,019,924</b>	<b>\$ 6,460,573</b>
<b>Liabilities</b>			
Accounts Payable	\$ 373,161	\$ 571,210	\$ 944,371
Cash Overdraft	104,791	-	104,791
Accrued Liabilities	85,096	-	85,096
Due to other funds	1	-	1
Escrow Liability	10,237	-	10,237
Unearned Revenue	116,472	-	116,472
<b>Total Liabilities</b>	<b>689,758</b>	<b>571,210</b>	<b>1,260,968</b>
<b>Fund Balance</b>			
Fund Balance:			
Restricted	\$ 4,750,934	\$ 448,714	\$ 5,199,648
Unassigned	(43)	-	(43)
<b>Total Fund Balance</b>	<b>4,750,891</b>	<b>448,714</b>	<b>5,199,605</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 5,440,649</b>	<b>\$ 1,019,924</b>	<b>\$ 6,460,573</b>

COUNTY OF LAWRENCE, PENNSYLVANIA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 FOR THE YEAR ENDED DECEMBER 31, 2017

	Debt Service Fund	Capital Projects	Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
<b>Revenues</b>				
Taxes	\$ 1,973,750	\$ -	\$ 441,875	\$ 2,415,625
Intergovernmental Revenue	-	-	2,679,668	2,679,668
Charges for Services	-	-	2,561,442	2,561,442
Interest Income	-	485	4,360	4,845
Other Revenue	-	-	186,535	186,535
Total Revenues	<u>1,973,750</u>	<u>485</u>	<u>5,873,880</u>	<u>7,848,115</u>
<b>Expenditures</b>				
Current Operating:				
General Government	2,599	-	149,246	151,845
Judicial	-	-	1,882,160	1,882,160
Public Safety	-	-	2,110,636	2,110,636
Public Works	-	-	652,993	652,993
Human Services	-	-	260,191	260,191
Culture and Recreation	-	-	441,875	441,875
Conservation and development	-	-	389,125	389,125
Debt Service				
Principal	1,440,000	-	-	1,440,000
Interest	1,198,730	-	-	1,198,730
Capital Outlay	-	303,233	-	303,233
Total Expenditures	<u>2,641,329</u>	<u>303,233</u>	<u>5,886,226</u>	<u>8,830,788</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(667,579)</u>	<u>(302,748)</u>	<u>(12,346)</u>	<u>(982,673)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	667,579	929,948	859,529	2,457,056
Transfers out	-	-	(234,042)	(234,042)
Total other financing sources (uses)	<u>667,579</u>	<u>929,948</u>	<u>625,487</u>	<u>2,223,014</u>
Net Change in Fund Balance	-	627,200	613,141	1,240,341
Fund Balance, Beginning of Year	-	(178,486)	4,137,750	3,959,264
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ 448,714</u>	<u>\$ 4,750,891</u>	<u>\$ 5,199,605</u>

COUNTY OF LAWRENCE, PENNSYLVANIA  
COMBINING BALANCE SHEET  
DECEMBER 31, 2017

	Domestic Relations	Substance Abuse	Records Improvement	Automation	Electronic Monitoring	Telephone Revenue	JPO	Drug Task Force	Register of Wills Automation	Hazard Mitigation	Offender Supervision	Demoliton	Liquid Fuels
<b>Assets</b>													
Cash and Cash equivalents	\$ 562,427	\$ -	\$ 247,519	\$ 9,179	\$ 9	\$ 38,789	\$ 114	\$ 509	\$ 28,522	\$ 432	\$ 67,546	\$ 39,707	\$ 2,209,741
Restricted Cash	10,237	-	-	-	-	-	-	-	-	-	-	-	-
Receivables:													
Other Governmental Grants	289,987	-	-	-	-	-	-	-	-	-	-	-	22,293
Other	-	1,558	1,734	966	-	3,103	25	-	200	-	-	6,375	-
Due from Other Funds	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 862,651</b>	<b>\$ 1,558</b>	<b>\$ 249,253</b>	<b>\$ 10,145</b>	<b>\$ 9</b>	<b>\$ 41,892</b>	<b>\$ 139</b>	<b>\$ 509</b>	<b>\$ 28,722</b>	<b>\$ 432</b>	<b>\$ 67,546</b>	<b>\$ 46,082</b>	<b>\$ 2,232,034</b>
<b>Liabilities</b>													
Accounts Payable	\$ 4,651	\$ 1,558	\$ -	\$ -	\$ -	\$ 900	182	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 74,844
Cash Overdraft	-	-	-	-	-	-	-	-	-	-	-	-	-
Accrued Liabilities	41,621	-	-	-	-	-	-	-	-	-	-	-	1,482
Due to other funds	-	-	-	-	-	-	-	-	-	-	-	-	-
Escrow Liability	10,237	-	-	-	-	-	-	-	-	-	-	-	-
Unearned Revenue	-	-	-	-	-	-	-	-	-	432	-	-	-
<b>Total Liabilities</b>	<b>56,509</b>	<b>1,558</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>900</b>	<b>182</b>	<b>-</b>	<b>-</b>	<b>432</b>	<b>-</b>	<b>-</b>	<b>76,326</b>
<b>Fund Balance</b>													
Fund Balance:													
Restricted	806,142	-	249,253	10,145	9	40,992	-	509	28,722	-	67,546	46,082	2,155,708
Unassigned	-	-	-	-	-	-	(43)	-	-	-	-	-	-
<b>Total Fund Balance</b>	<b>806,142</b>	<b>-</b>	<b>249,253</b>	<b>10,145</b>	<b>9</b>	<b>40,992</b>	<b>(43)</b>	<b>509</b>	<b>28,722</b>	<b>-</b>	<b>67,546</b>	<b>46,082</b>	<b>2,155,708</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 862,651</b>	<b>\$ 1,558</b>	<b>\$ 249,253</b>	<b>\$ 10,145</b>	<b>\$ 9</b>	<b>\$ 41,892</b>	<b>\$ 139</b>	<b>\$ 509</b>	<b>\$ 28,722</b>	<b>\$ 432</b>	<b>\$ 67,546</b>	<b>\$ 46,082</b>	<b>\$ 2,232,034</b>

COUNTY OF LAWRENCE, PENNSYLVANIA  
 COMBINING BALANCE SHEET (CONTINUED)  
 NONMAJOR SPECIAL REVENUE FUNDS  
 DECEMBER 31, 2017

	Drug Strike Back	Library	Victim Witness	DEA - TFO	Food Program	Emergency Management Grants	Marcellus Legacy	Act 13	APO	PHARE Grant	CDBG	911	Health Choices	Total
<b>Assets</b>														
Cash and Cash equivalents	\$ 10,325	\$ 20,440	\$ 23,359	\$ 1	1,765	46,463	47,312	650,612	261,747	5,823	\$ -	91,236	18,501	\$ 4,382,078
Restricted Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	10,237
Receivables:														
Other Governmental Grants	-	-	18,289	-	5,601	4,648	-	-	-	-	145,395	-	-	486,213
Other	-	-	447	-	-	-	-	-	8,545	-	-	539,168	-	562,121
Due from Other Funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 10,325</b>	<b>\$ 20,440</b>	<b>\$ 42,095</b>	<b>\$ 1</b>	<b>\$ 7,366</b>	<b>\$ 51,111</b>	<b>\$ 47,312</b>	<b>\$ 650,612</b>	<b>\$ 270,292</b>	<b>\$ 5,823</b>	<b>\$ 145,395</b>	<b>\$ 630,404</b>	<b>\$ 18,501</b>	<b>\$ 5,440,649</b>
<b>Liabilities</b>														
Accounts Payable	\$ -	\$ 20,440	2,262	\$ -	5,601	605	12,000	\$ -	\$ -	\$ -	40,604	209,514	\$ -	\$ 373,161
Cash Overdraft	-	-	-	-	-	-	-	-	-	-	104,791	-	-	104,791
Accrued Liabilities	-	-	-	-	-	388	-	-	-	-	-	41,605	-	85,096
Due to other funds	-	-	-	1	-	-	-	-	-	-	-	-	-	1
Escrow Liability	-	-	-	-	-	-	-	-	-	-	-	-	-	10,237
Unearned Revenue	-	-	39,833	-	1,765	50,118	-	-	-	5,823	-	-	18,501	116,472
<b>Total Liabilities</b>	<b>-</b>	<b>20,440</b>	<b>42,095</b>	<b>1</b>	<b>7,366</b>	<b>51,111</b>	<b>12,000</b>	<b>-</b>	<b>-</b>	<b>5,823</b>	<b>145,395</b>	<b>251,119</b>	<b>18,501</b>	<b>689,758</b>
<b>Fund Balance</b>														
Fund Balance:														
Restricted	10,325	-	-	-	-	-	35,312	650,612	270,292	-	-	379,285	-	4,750,934
Unassigned	-	-	-	-	-	-	-	-	-	-	-	-	-	(43)
<b>Total Fund Balance</b>	<b>10,325</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>35,312</b>	<b>650,612</b>	<b>270,292</b>	<b>-</b>	<b>-</b>	<b>379,285</b>	<b>-</b>	<b>4,750,891</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 10,325</b>	<b>\$ 20,440</b>	<b>\$ 42,095</b>	<b>\$ 1</b>	<b>\$ 7,366</b>	<b>\$ 51,111</b>	<b>\$ 47,312</b>	<b>\$ 650,612</b>	<b>\$ 270,292</b>	<b>\$ 5,823</b>	<b>\$ 145,395</b>	<b>\$ 630,404</b>	<b>\$ 18,501</b>	<b>\$ 5,440,649</b>

COUNTY OF LAWRENCE, PENNSYLVANIA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED DECEMBER 31, 2017

	Domestic Relations	Substance Abuse	Records Improvement	Automation	Electronic Monitoring	Telephone Revenue	JPO	Drug Task Force	Register of Wills Automation	Hazard Mitigation	Offender Supervision	Liquid Fuels	Demolition
Revenues													
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental Revenue	1,116,301	-	-	-	-	-	-	-	-	-	-	857,527	-
Charges for Services	102,915	21,152	51,124	20,693	-	16,907	1,479	52	-	-	103,709	-	74,760
Interest Income	614	4	288	28	113	65	2	2	38	-	64	1,883	22
Other Revenue	-	-	-	-	-	-	-	-	3,860	-	-	-	-
Total Revenues	<u>1,219,830</u>	<u>21,156</u>	<u>51,412</u>	<u>20,721</u>	<u>113</u>	<u>16,972</u>	<u>1,481</u>	<u>54</u>	<u>3,898</u>	<u>-</u>	<u>103,773</u>	<u>859,410</u>	<u>74,782</u>
Expenditures													
Current Operating:													
General Government	-	-	77,665	38,881	-	-	-	-	4,000	-	-	-	28,700
Judicial	1,618,587	-	-	-	-	-	2,659	-	-	-	110,894	-	-
Public Safety	-	-	-	-	-	31,750	-	15,000	-	-	-	-	-
Public Works	-	-	-	-	-	-	-	-	-	-	-	612,629	-
Human Services	-	21,156	-	-	-	-	-	-	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservation and development	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	<u>1,618,587</u>	<u>21,156</u>	<u>77,665</u>	<u>38,881</u>	<u>-</u>	<u>31,750</u>	<u>2,659</u>	<u>15,000</u>	<u>4,000</u>	<u>-</u>	<u>110,894</u>	<u>612,629</u>	<u>28,700</u>
Excess (deficiency) of Revenues over Expenditures	<u>(398,757)</u>	<u>-</u>	<u>(26,253)</u>	<u>(18,160)</u>	<u>113</u>	<u>(14,778)</u>	<u>(1,178)</u>	<u>(14,946)</u>	<u>(102)</u>	<u>-</u>	<u>(7,121)</u>	<u>246,781</u>	<u>46,082</u>
Other Financing Sources (uses)													
Transfers in	512,614	-	-	-	-	-	-	15,000	-	-	-	-	-
Transfers out	(86,110)	-	-	-	(86,502)	-	-	-	-	-	-	-	-
Total Other Financing Sources (uses)	<u>426,504</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(86,502)</u>	<u>-</u>	<u>-</u>	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>27,747</u>	<u>-</u>	<u>(26,253)</u>	<u>(18,160)</u>	<u>(86,389)</u>	<u>(14,778)</u>	<u>(1,178)</u>	<u>54</u>	<u>(102)</u>	<u>-</u>	<u>(7,121)</u>	<u>246,781</u>	<u>46,082</u>
Fund Balance, Beginning of Year	<u>778,395</u>	<u>-</u>	<u>275,506</u>	<u>28,305</u>	<u>86,398</u>	<u>55,770</u>	<u>1,135</u>	<u>455</u>	<u>28,824</u>	<u>-</u>	<u>74,667</u>	<u>1,908,927</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 806,142</u>	<u>\$ -</u>	<u>\$ 249,253</u>	<u>\$ 10,145</u>	<u>\$ 9</u>	<u>\$ 40,992</u>	<u>\$ (43)</u>	<u>\$ 509</u>	<u>\$ 28,722</u>	<u>\$ -</u>	<u>\$ 67,546</u>	<u>\$ 2,155,708</u>	<u>\$ 46,082</u>

COUNTY OF LAWRENCE, PENNSYLVANIA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (CONTINUED)  
 NONMAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2017

	Drug Strike Back	Library	Victim Services	DEA - TFO	Food Program	Emergency Management Grants	Marcellus Legacy	Act 13	APO	PHARE Grant	CDBG	911	Health Choices	Total
Revenues														
Taxes	\$ -	\$ 441,875	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 441,875
Intergovernmental Revenue	-	-	52,836	-	13,396	23,603	72,236	104,694	-	49,958	389,117	-	-	2,679,668
Charges for Services	17,709	-	7,351	-	-	23,987	-	-	91,828	-	-	2,027,776	-	2,561,442
Interest Income	19	-	32	-	-	67	36	599	329	42	8	-	105	4,360
Other Revenue	-	-	-	-	-	-	-	-	-	-	-	7,141	175,534	186,535
<b>Total Revenues</b>	<b>17,728</b>	<b>441,875</b>	<b>60,219</b>	<b>-</b>	<b>13,396</b>	<b>47,657</b>	<b>72,272</b>	<b>105,293</b>	<b>92,157</b>	<b>50,000</b>	<b>389,125</b>	<b>2,034,917</b>	<b>175,639</b>	<b>5,873,880</b>
Expenditures														
Current Operating:														
General Government	-	-	-	-	-	-	-	-	-	-	-	-	-	149,246
Judicial	-	-	55,827	-	-	47,657	-	-	46,536	-	-	-	-	1,882,160
Public Safety	25,466	-	-	-	-	-	-	-	-	-	-	2,038,420	-	2,110,636
Public Works	-	-	-	-	-	-	36,966	3,398	-	-	-	-	-	652,993
Human Services	-	-	-	-	13,396	-	-	-	-	50,000	-	-	175,639	260,191
Culture and Recreation	-	441,875	-	-	-	-	-	-	-	-	-	-	-	441,875
Conservation and development	-	-	-	-	-	-	-	-	-	-	389,125	-	-	389,125
Capital outlay	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>25,466</b>	<b>441,875</b>	<b>55,827</b>	<b>-</b>	<b>13,396</b>	<b>47,657</b>	<b>36,966</b>	<b>3,398</b>	<b>46,536</b>	<b>50,000</b>	<b>389,125</b>	<b>2,038,420</b>	<b>175,639</b>	<b>5,886,226</b>
Excess (deficiency) of Revenues over Expenditures	(7,738)	-	4,392	-	-	-	35,306	101,895	45,621	-	-	(3,503)	-	(12,346)
Other Financing Sources (uses)														
Transfers in	-	-	-	-	-	-	-	-	-	-	-	331,915	-	859,529
Transfers out	-	-	(4,392)	-	-	-	-	-	-	-	-	(57,038)	-	(234,042)
<b>Total other Financing Sources (uses)</b>	<b>-</b>	<b>-</b>	<b>(4,392)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>274,877</b>	<b>-</b>	<b>625,487</b>
<b>Net Change in Fund Balance</b>	<b>(7,738)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>35,306</b>	<b>101,895</b>	<b>45,621</b>	<b>-</b>	<b>-</b>	<b>271,374</b>	<b>-</b>	<b>613,141</b>
Fund Balance, Beginning of Year	18,063	-	-	-	-	-	6	548,717	224,671	-	-	107,911	-	4,137,750
<b>Fund Balance, End of Year</b>	<b>\$ 10,325</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 35,312</b>	<b>\$ 650,612</b>	<b>\$ 270,292</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 379,285</b>	<b>\$ -</b>	<b>\$ 4,750,891</b>