

County of Clinton, Pennsylvania

Financial Statements and
Supplementary Information

December 31, 2016



BAKER TILLY

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County of Clinton, Pennsylvania

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December 31, 2016

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Independent Auditors' Report

Board of Commissioners
County of Clinton, Pennsylvania

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Susque-View Home, Inc., which represents 100% of the assets, net position and revenues of the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Susque-View Home, Inc., is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Susque-View Home, Inc., reported as a discretely presented component unit, were not audited in accordance with *Government Auditing Standards*.

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, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Clinton, Pennsylvania, as of December 31, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis on pages 4 through 17, the schedule of revenues, expenditures, and changes in fund balance - budget and actual - General Fund, on page 70, schedule of revenues, expenditures, and changes in fund balance - budget and actual - Children and Youth Fund on page 71, the schedule of changes in net pension liability and related ratios on page 72, the schedule of employer contributions on page 73 and the schedule of investment return on page 74 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal awards on page 75, as required by Title 2 U.S. Code of Federal Regulations ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the schedule of selected Commonwealth of Pennsylvania, Department of Human Services assistance on page 76, as required by the Commonwealth of Pennsylvania, Department of Human Services ("DHS") *Single Audit Supplement*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards and schedule of selected Commonwealth of Pennsylvania, Department of Human Services assistance 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 schedule of expenditures of federal awards and the schedule of selected Commonwealth of Pennsylvania, Department of Human Services assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2017, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Baker Tilly Virchow Krause, LLP

Williamsport, Pennsylvania
September 27, 2017

County of Clinton, Pennsylvania

Management's Discussion and Analysis
December 31, 2016
(Unaudited)

The County of Clinton, Pennsylvania, 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 - and 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 the County's financial statements. This section of the financial statements presents a narrative overview and analysis of the County's financial performance for the fiscal year ended December 31, 2016. We recommend that it be read in conjunction with the accompanying basic financial statements and notes to financial statements in order to obtain a thorough understanding of the County's financial condition at December 31, 2016.

Financial Highlights

- The County's net position of its governmental activities increased by \$3,139,232. The unrestricted net deficit of its governmental activities at December 31, 2016 was \$(2,684,695).
- The County's General Fund balance at December 31, 2016 was \$10,388,155, an increase of \$474,694 from the prior year.
- The County's total long-term debt outstanding decreased by \$1,497,010 to \$21,421,252 at December 31, 2016, exclusive of bond discounts.
- During 2015, the County implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which is effective for years beginning after June 15, 2014. This standard was designed to improve accounting and financial reporting by state and local governments for pensions. As required by GASB 68, a liability was recorded using the actuarial report of the County's Pension Plan for the first time for the year ended December 31, 2015. The estimated net pension liability at December 31, 2016 was \$4,666,815. Refer to Note 12 for additional information.

Overview of the Financial Statements

The financial section of this report consists of four parts:

- Management's discussion and analysis (this section);
- Basic financial statements (including notes);
- Required supplementary information, and;
- 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 that includes a budget to actual comparison for the County's General and Children and Youth Funds, a schedule of changes in net pension liability and related ratios, a schedule of employer contributions and a schedule of investment returns.

County of Clinton, Pennsylvania

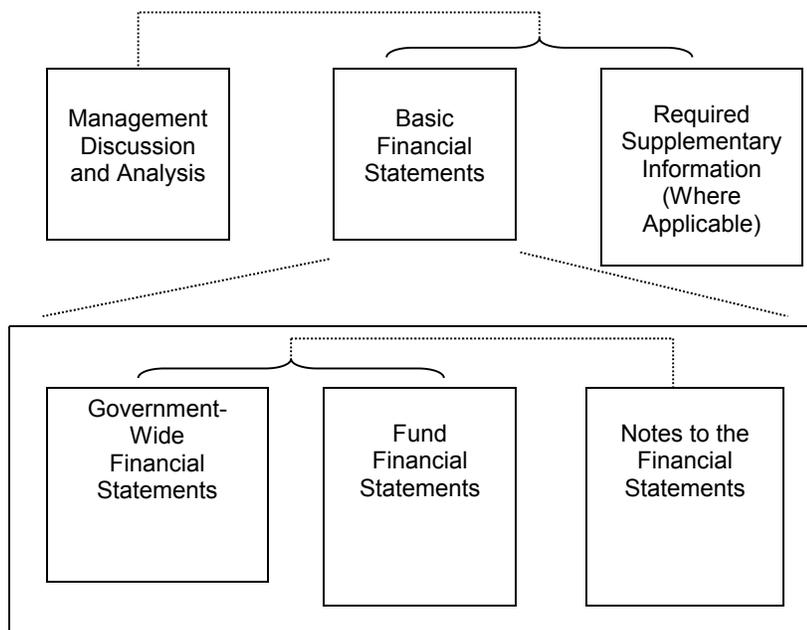
Management's Discussion and Analysis
December 31, 2016
(Unaudited)

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 three types of fund financial statements.
 - *Governmental funds statements* show how general government services such as public safety, human services, public works, and conservation and development were financed in the short term, as well as what remains for future spending.
 - *Proprietary fund statements* offer short-term and long-term financial information about the activity the County operates like a business.
 - *Fiduciary funds statements* reflect activities involving resources that are held by the County as a trustee or agent for the benefit of others, including employees of the County, like the pension plan. Fiduciary funds are not reflected in the government-wide statements because the assets cannot be used to support the County's programs.

Table A-1 shows how the various parts of this annual report are arranged and related to one another.

Table A-1
Required Components of the County of Clinton, Pennsylvania's
Financial Report



County of Clinton, Pennsylvania

Management's Discussion and Analysis
 December 31, 2016
 (Unaudited)

Table A-2 summarizes the major features of the County's financial statements, including the area of the County's activities it covers and the types of information contained.

**Table A-2
 Major Features of the County of Clinton, Pennsylvania
 Government-Wide and Fund Financial Statements**

	Government-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire County (except fiduciary funds)	The day-to-day operating activities of the County, such as general administration, judicial, public safety, etc.	Activities the County operates similar to a private business - such as the Emergency 9-1-1 telephone fund	Instances in which the County is the trustee or agent to someone else's resources - Pension Trust Fund
Required financial statements	Statement of net position Statement of activities	Balance sheet Statement of revenues, expenditures, and changes in fund balance	Statement of net position Statement of revenues, expenses and changes in net position Statement of cash flows	Statement of fiduciary net position Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of inflow-outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

County of Clinton, Pennsylvania

Management's Discussion and Analysis

December 31, 2016

(Unaudited)

The remainder of this 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 accrual method of accounting, which requires that revenues be reported when they are earned and expenses be reported when the goods and/or services are received, regardless of when cash is received or paid.

Net position is one way to measure the County's financial position. Over time, increases or decreases in the County's net position are 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 real estate property tax base and general economic conditions must be considered to assess the overall position of the County.

There are two categories of activities for the primary government:

- *Governmental activities* include the County's basic services such as general government, judicial, public safety, human services, public works, and conservation and development.
- *Business-type activity* such as the Emergency 9-1-1 telephone fund, which charges a fee to customers to help cover the costs of services. The County determined it was more appropriate to report its 9-1-1 operation as a special revenue fund in 2016; this change was reported as residual equity transfer from the County's business-type activities to its governmental activities effective January 1, 2016.

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 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.

County of Clinton, Pennsylvania

Management's Discussion and Analysis
December 31, 2016
(Unaudited)

Government-wide statements are reported using an economic resources measurement focus and full 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, compensated absences, and the net pension liability as liabilities.
- Depreciate capital assets and allocate the depreciation to the proper program/activities.
- Calculate revenue and expense using the economic resources measurement focus and the accrual basis of accounting.
- Allocate net position balances as follows:
 - Net investment in capital assets.
 - Restricted net position have constraints placed on their 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 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 current financial resources and modified accrual accounting established by the Government Accounting Standards Board ("GASB") for governments.

The County has three 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, and a current financial resources measurement focus. Consequently, the governmental funds statements provide a detailed short-term view that helps determine the financial resources available in the near future to finance the County's programs.

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 and the Children and Youth Fund as required by state law. A budgetary comparison of the County's General Fund is presented on page 70 and a budgetary comparison of the County's Children and Youth Fund is presented on page 71.

County of Clinton, Pennsylvania

Management's Discussion and Analysis

December 31, 2016

(Unaudited)

- **Proprietary funds** report business-type programs and activities that charge user fees designed to recover the cost of providing services. The proprietary funds report using the full accrual basis of accounting. The County previously reported its 9-1-1 operations as a proprietary fund, but elected to report these operations as a governmental fund effective January 1, 2016.
- **Fiduciary funds** are those funds for which the County is the trustee or fiduciary. These include the Employee Retirement Plan and 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 and a statement of changes in 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.

Government-Wide Financial Statements

The County's total assets and deferred outflow of resources were \$39,959,068 at December 31, 2016 and \$40,047,916 at December 31, 2015. Of these amounts, \$15,421,326 and \$15,859,326 respectively, were capital assets.

GASB No. 34 requires 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 a retroactive basis. As a result, for the years ended December 31, 2016 and 2015, the County has included all of its infrastructure assets that required capitalization in the County's financial statements.

County of Clinton, Pennsylvania

Management's Discussion and Analysis

December 31, 2016

(Unaudited)

Table A-3
Condensed Statement of Net Position
(In Thousands)

	Governmental Activities		Business-Type Activity		Totals	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 21,927	\$ 20,755	\$ -	\$ 594	\$ 21,927	\$ 21,349
Capital assets, net	15,421	11,377	-	4,482	15,421	15,859
Total assets	37,348	32,132	-	5,076	37,348	37,208
Deferred outflows of resources	2,611	2,839	-	-	2,611	2,839
Total assets and deferred outflows of resources	39,959	34,971	-	5,076	39,959	40,047
Long-term debt outstanding	21,347	19,094	-	3,745	21,347	22,839
Other liabilities	8,117	8,521	-	191	8,117	8,712
Total liabilities	29,464	27,615	-	3,936	29,464	31,551
Net position:						
Net investment in capital assets	5,581	4,109	-	737	5,581	4,846
Restricted net position	7,599	6,058	-	-	7,599	6,058
Unrestricted net position (deficit)	(2,685)	(2,811)	-	403	(2,685)	(2,408)
Total net position	\$ 10,495	\$ 7,356	\$ -	\$ 1,140	\$ 10,495	\$ 8,496

County of Clinton, Pennsylvania

Management's Discussion and Analysis
December 31, 2016
(Unaudited)

Change in Net Position

The following statement of activities represents changes in net position for the years ended December 31, 2016 and 2015. It shows revenues by source and expenses by function for governmental activities, the business-type activity and the government as a whole.

Table A-4
Condensed Statement of Activities
(In Thousands)

	Governmental Activities		Business-Type Activity		Totals	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 8,113	\$ 7,319	\$ -	\$ 135	\$ 8,113	\$ 7,454
Grants and contributions	8,966	6,502	-	800	8,966	7,302
General revenues:						
Property and other taxes	12,583	11,345	-	-	12,583	11,345
Payments in lieu of taxes	424	423	-	-	424	423
Unrestricted investment earnings	48	45	-	-	48	45
Miscellaneous	354	5	-	298	354	303
Transfers	49	(667)	-	667	49	-
Total revenues	<u>30,537</u>	<u>24,972</u>	<u>-</u>	<u>1,900</u>	<u>30,537</u>	<u>26,872</u>
Expenses:						
General government	5,828	6,038	-	-	5,828	6,038
Judicial	4,124	3,966	-	-	4,124	3,966
Public safety	10,095	7,339	-	-	10,095	7,339
Public works	82	55	-	-	82	55
Human services	4,498	4,205	-	-	4,498	4,205
Culture and recreation	421	396	-	-	421	396
Conservation and development	2,791	1,928	-	-	2,791	1,928
Debt service	699	918	-	-	699	918
Emergency 9-1-1	-	-	-	1,697	-	1,697
Total expenses	<u>28,538</u>	<u>24,845</u>	<u>-</u>	<u>1,697</u>	<u>28,538</u>	<u>26,542</u>
Change in net position	1,999	127	-	203	1,999	330
Net Position, January 1, as restated	<u>8,496</u>	<u>7,229</u>	<u>-</u>	<u>937</u>	<u>8,496</u>	<u>8,166</u>
Net Position, December 31	<u>\$ 10,495</u>	<u>\$ 7,356</u>	<u>\$ -</u>	<u>\$ 1,140</u>	<u>\$ 10,495</u>	<u>\$ 8,496</u>

During 2015, the County adopted new accounting requirements related to its pension plan reporting, which restated the County's governmental activities net position to reflect the County's Net Pension Liability. In addition, during 2015, the County issued a General Obligation Bond that was used to refund/refinance prior Bonds. The County transferred funds from other accounts to weather the storm created by the state's budget impasse and to continue to provide funding for County services.

County of Clinton, Pennsylvania

Management's Discussion and Analysis
December 31, 2016
(Unaudited)

Net Program Expenses

Net program expenses indicate the amount of support required from taxes and other general revenues for a program of the government. Table A-5 depicts the net program expenses for the years ended December 31, 2016 and 2015.

Table A-5
Net Cost of Governmental and Business-Type Activity
(In Thousands)

	Total Cost of Services		Net Expense (Revenue) Cost of Services	
	2016	2015	2016	2015
Program:				
General government	\$ 5,828	\$ 6,038	\$ 2,506	\$ 3,325
Judicial	4,124	3,966	2,426	2,328
Public safety	10,095	7,339	4,895	3,505
Public works	82	55	(78)	(126)
Human services	4,498	4,205	498	541
Culture and recreation	421	396	421	392
Conservation and development	2,791	1,928	306	481
Debt service	699	918	484	634
Emergency 9-1-1	-	1,697	-	762
Total expenses	<u>\$ 28,538</u>	<u>\$ 26,542</u>	<u>\$ 11,458</u>	<u>\$ 11,842</u>

The County relied on property taxes and other general revenues to fund 41% of its governmental activities in 2016.

County of Clinton, Pennsylvania

Management's Discussion and Analysis
December 31, 2016
(Unaudited)

Capital Assets

The County's investment in capital assets at December 31, 2016 and 2015, net of accumulated depreciation, was \$15,421,326 and \$15,859,326, respectively. Capital assets consist primarily of land, buildings, equipment and infrastructure. The following is a summary of capital assets at December 31, 2016 and 2015:

Table A-6
Capital Assets, Governmental Activities
December 31, 2016

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Cost Less Accumulated Depreciation</u>
Governmental Activities:			
Land	\$ 781,832	\$ -	\$ 781,832
Buildings and improvements	25,677,605	13,929,863	11,747,742
Equipment and vehicles	7,194,950	5,260,255	1,934,695
Agricultural easements	657,918	167,405	490,513
Leasehold assets	131,142	131,142	-
Infrastructure	367,128	75,910	291,218
Construction-in-process	175,326	-	175,326
Total governmental activities	<u>\$ 34,985,901</u>	<u>\$ 19,564,575</u>	<u>\$ 15,421,326</u>

December 31, 2015

Governmental Activities:			
Land	\$ 749,482	\$ -	\$ 749,482
Buildings and improvements	21,819,269	13,152,268	8,667,001
Equipment and vehicles	4,048,888	3,205,765	843,123
Agricultural easements	622,878	151,432	471,446
Leasehold assets	131,142	131,142	-
Infrastructure	250,000	67,708	182,292
Construction-in-process	463,618	-	463,618
Total governmental activities	<u>\$ 28,085,277</u>	<u>\$ 16,708,315</u>	<u>\$ 11,376,962</u>
Business-Type Activity			
Land	\$ 45,600	\$ -	\$ 45,600
Buildings and improvements	3,628,104	272,388	3,355,716
Equipment and vehicles	2,568,603	1,487,555	1,081,048
Total business-type activity	<u>\$ 6,242,307</u>	<u>\$ 1,759,943</u>	<u>\$ 4,482,364</u>

During 2016, the County transferred the operations of its 9-1-1 Fund, its sole business-type activity, to its governmental activities. At December 31, 2016, the corresponding capital assets and accumulated depreciation are included in the governmental activities' building and improvements and equipment and vehicles categories above. Detailed information about the County's capital assets can be found in Note 6 within the accompanying notes to the financial statements.

County of Clinton, Pennsylvania

Management's Discussion and Analysis
December 31, 2016
(Unaudited)

Long-Term Liabilities

At December 31, 2016, the County had \$21,341,846 of debt outstanding, including general obligation bonds, and notes. Debt decreased 6.5% from the previous year. The following is a summary of general obligation bonds, notes, compensated absences and net pension liability for the 2016 year:

Table A-7
Statement of Long-term Liability Activity

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental activities:				
Long-term debt	\$ 19,093,597	\$ 3,750,227	\$ 1,497,010	\$ 21,346,814
Compensated absences	1,389,383	272,662	187,611	1,474,434
Net pension liability	4,975,134	-	308,319	4,666,815
Governmental activities long-term liabilities	<u>\$ 25,458,114</u>	<u>\$ 4,022,889</u>	<u>\$ 1,992,940</u>	<u>\$ 27,488,063</u>
Business-type activity,				
General Obligation Bonds	\$ 3,745,259	\$ -	\$ 3,745,259	\$ -
Compensated absences	118,735	-	118,735	-
Business-type activity long-term liabilities	<u>\$ 3,863,994</u>	<u>\$ -</u>	<u>\$ 3,863,994</u>	<u>\$ -</u>

As previously mentioned, the County transferred its 9-1-1 operations, formerly reported as a business type activity, to its governmental activities during 2016. This included long-term debt associated with the 9-1-1 Fund. Detailed information about the County's long-term debt can be found in Note 10, information about compensated absences can be found in Note 11 and information about the Net Pension Liability can be found in Note 12 in the accompanying notes to the financial statements.

Fund Financial Statements

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 near-term inflows, outflows, and balances of resources available for spending. Such information is useful in assessing the County's financing requirements. In particular, unreserved/ undesignated 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, various special revenue funds, Capital Project Fund, and the Debt Service Fund. The General Fund is the chief operating fund for the County. Special revenue funds are restricted to specific legislated use. The Capital Project Fund account for the proceeds of bonds issued in connection with major capital undertakings. The major funds are identified as such on the statement of revenues, expenditures and changes in fund balances in the financial statements.

County of Clinton, Pennsylvania

Management's Discussion and Analysis
December 31, 2016
(Unaudited)

Governmental Fund Revenues

Governmental fund revenues by source at December 31, 2016 and December 31, 2015 were as follows.

Table A-8
Revenues by Source, Governmental Funds

	<u>2016</u>	<u>2015</u>	<u>Changes from 2016 to 2015</u>
Revenues:			
Taxes	\$ 12,876,507	\$ 11,568,116	\$ 1,308,391
Intergovernmental revenues	9,264,146	6,666,622	2,597,524
Charges for services	6,781,799	5,815,230	966,569
Interest, rents and royalties	120,150	78,133	42,017
Licenses and permits	46,549	36,508	10,041
Other	1,181,036	1,253,359	(72,323)
Debt proceeds	-	7,234,847	(7,234,847)
Refunds/proceeds from sale of assets	87,027	6,414	80,613
Transfers in	3,332,871	2,118,157	1,214,714
Total revenues	<u>\$ 33,690,085</u>	<u>\$ 34,777,386</u>	<u>\$ (1,087,301)</u>

There was a slight increase in the County's real estate tax millage, going from 5.4 mills in 2015 to 6.0 mills in 2016. This rate increase accounts for the majority of the increase in real estate tax revenues, when comparing the year ended December 31, 2016 with 2015.

The \$2,597,524 increase in intergovernmental revenues is largely attributable to the change in the County's accounting for its 9-1-1 operation (see below).

Charges for Services increased due primarily to self-insurance activity. Revenue at the Clinton County Correctional Facility for housing out-of-county inmates, which comprises nearly 50% of this revenue line item, was consistent, amounting to \$3,090,000 in 2016 as compared with \$2,920,000 in 2015.

The 9-1-1 fees were previously reported as a business-type activity. As previously mentioned, the County transferred the operations of its 9-1-1 business type activity to its governmental activities during 2016 due to changes in the way 9-1-1 revenues are generated, the fact that the 9-1-1 operation no longer meets the criteria to be accounted for as a business-type activity. In 2015, 9-1-1 operating and non-operating revenues were \$1,233,000; in 2016 such revenues were \$1,093,000 and are reported in the intergovernmental revenues line item of the County's governmental funds' revenues above. The majority of the decrease relates to a \$298,000 contribution of a communications tower in 2015, whereas there was no such contribution in 2016.

In 2015, the County issued a General Obligation Bond for refund of prior issued bonds; the proceeds of which were reported in 2015 as an other financing source within the County's governmental fund financial statements.

The County periodically makes transfers to and from its General Fund to finance the operations of other governmental fund types. Additional information on interfund activity may be found in Note 13.

County of Clinton, Pennsylvania

Management's Discussion and Analysis
December 31, 2016
(Unaudited)

Governmental Fund Expenditures

Governmental fund expenditures by function at December 31, 2016 and December 31, 2015 were as follows:

Table A-9
Expenditures by Functions, Governmental Funds

	<u>2016</u>	<u>2015</u>	<u>Changes from 2016 to 2015</u>
Expenditures:			
General government	\$ 5,365,250	\$ 4,811,839	\$ 553,411
Judicial	4,583,625	4,249,569	334,056
Public safety	9,650,985	7,155,113	2,495,872
Public works	98,504	114,481	(15,977)
Human services	4,553,334	4,161,280	392,054
Culture and recreation	395,522	370,826	24,696
Conservation and development	2,554,144	1,731,303	822,841
Debt service and issuance costs	2,203,438	1,653,600	549,838
Capital outlay	201,074	183,515	17,559
Current refunding payments	-	2,799,108	(2,799,108)
Payments to escrow agent	-	4,345,889	(4,345,889)
Transfer out	3,332,871	2,784,775	548,096
	<u>\$ 32,938,747</u>	<u>\$ 34,361,298</u>	<u>\$ (1,422,551)</u>

As previously noted, the County transferred its 9-1-1 operations from a business-type activity to its governmental activities in 2016. Such costs, which amounted to approximately \$1,700,000 in 2015, are now included in the public safety line item above. The remainder of the increase in this category is attributable to increased salary, benefit and medical contract costs at the County Prison.

The County currently refunded its 2004 Series A General Obligation Note, 2010 Series A General Obligation Bonds, and advanced refunded its Series A of 2011 General Obligation Bonds with the proceeds of its Series 2015 General Obligation Bonds during 2015. Such one-time costs incurred during 2015 associated with this refunding included \$2,799,108 in current refunding expense and a \$4,345,889 transfer to an escrow agent.

Debt services costs for 2016 include amounts associated with the County's 9-1-1 operation, accounted for prior to 2016 as a business-type activity. Such costs in 2015 were approximately \$433,000.

Economic Condition, Outlook and Next Year's Budget

The County continues to monitor its spending and services throughout all levels of operations. The monitoring of cash flow and capital project planning has been considered in preparing the County's 2016 budget. In addition, the federal and state budget issues will continue to be a hurdle all counties must grapple with as program service levels increase and available funding sources decline.

County of Clinton, Pennsylvania

Management's Discussion and Analysis
December 31, 2016
(Unaudited)

General Fund Budget

The County adopts an annual operating budget for its General and Children and Youth Funds in accordance with the provisions of the Commonwealth of Pennsylvania County Code. A schedule showing the County's original and final budget amounts compared with actual results for the current year is provided on pages 70 and 71.

The County's actual revenues for the General Fund for the year ended December 31, 2016 were \$815,000 more than the final budget. The largest contributor to this increase in revenue was the charges for services line item (see commentary above).

The County's actual expenditures for the year ended December 31, 2016 were \$282,000 less than was anticipated in the final budget, or slightly more than 1%. The bulk of these favorable variances occurred within the General Government-Administrative line item, where the County expended approximately \$235,000 less on contingency items, and the Public Safety line item, where \$186,000 less was spent on capital items than was anticipated, and certain correction officer salary and benefit savings took place approximating \$168,000. This was offset by the inclusion of the 9-1-1 debt service within the County's governmental activities, described in more detail above.

Governmental Fund Balances

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

Table A-10
Ending Fund Balances, Governmental Funds

Fund	Governmental Funds
General Fund	\$ 10,388,155
Revolving Loan Fund	3,350,806
Children and Youth Fund	-
Capital Projects Fund	(24,681)
Non-major Governmental Funds	<u>5,710,636</u>
Total	<u>\$ 19,424,916</u>

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 Clinton, Pennsylvania
Clinton County Government Center
Commissioner's Office
232 E. Main Street, 3rd Floor
Lock Haven, Pennsylvania 17745
Telephone: 570-893-4000

County of Clinton, Pennsylvania

 Statement of Net Position
 December 31, 2016

	Primary Government		Total	Component Unit
	Governmental-Activities	Business-Type Activity		
Assets and Deferred Inflows of Resources				
Cash and cash equivalents	\$ 9,090,241	\$ -	\$ 9,090,241	\$ 369,629
Restricted cash	3,082,289	-	3,082,289	
Investments	319,153	-	319,153	2,258,210
Receivables:				
Grants	1,939,454	-	1,939,454	
Taxes	916,857	-	916,857	
Loans	5,167,967	-	5,167,967	
Other	1,369,236	-	1,369,236	1,707,063
Due from fiduciary funds	23,226	-	23,226	
Prepaid expenses and other current assets	18,486	-	18,486	143,771
Assets whose use is limited	-	-	-	1,387,799
Restricted resident trust funds	-	-	-	39,328
Total current assets	21,926,909	-	21,926,909	5,905,800
Capital Assets, Net	15,421,326	-	15,421,326	3,391,784
Total assets	37,348,235	-	37,348,235	9,297,584
Deferred Outflows of Resources - Pension	2,610,833	-	2,610,833	-
Total assets and deferred outflows of resources	39,959,068	-	39,959,068	9,297,584
Liabilities				
Accounts payable and accrued expenses	1,519,308	-	1,519,308	1,423,306
Due to other governments	2	-	2	
Unearned revenues	325,493	-	325,493	
Resident trust funds	-	-	-	39,907
Current portion of long-term debt	1,714,126	-	1,714,126	18,000
Accrued interest	79,075	-	79,075	
Total current liabilities	3,638,004	-	3,638,004	1,481,213
Long-term liabilities:				
Workers' compensation payable	-	-	-	805,619
Long-term portion of long-term debt	19,632,688	-	19,632,688	33,000
Compensated absences	1,474,434	-	1,474,434	
Net pension liability	4,666,815	-	4,666,815	
Total liabilities	29,411,941	-	29,411,941	2,319,832
Deferred Inflows of Resources - Pension	51,703	-	51,703	-
Net Position (Deficit)				
Net investment in capital assets	5,580,714	-	5,580,714	3,340,784
Restricted for:				
Program purposes	7,599,405	-	7,599,405	-
Unrestricted	(2,684,695)	-	(2,684,695)	3,636,968
Total net position	\$ 10,495,424	\$ -	\$ 10,495,424	\$ 6,977,752

See notes to financial statements

County of Clinton, Pennsylvania

Statement of Activities
Year Ended December 31, 2016

Functions/Programs	Expenses	Program Revenues			Primary Government		Net (Expense) Revenue and Change in Net Position	Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activity		
Primary Government								
Governmental activities:								
General Government	\$ 5,828,326	\$ 3,142,729	\$ 179,315	\$ -	\$ (2,506,282)		\$ (2,506,282)	
Public safety	10,094,323	3,588,047	1,610,296	-	(4,895,980)		(4,895,980)	
Public works	82,015	523	-	159,015	77,523		77,523	
Judicial	4,123,539	770,907	926,819	-	(2,425,813)		(2,425,813)	
Human services	4,497,357	89,252	3,909,184	-	(498,921)		(498,921)	
Culture and recreation	420,850	750	-	-	(420,100)		(420,100)	
Conservation and development	2,791,362	304,693	2,181,077	-	(305,592)		(305,592)	
Interest on long-term debt and issuance costs	699,731	215,793	-	-	(483,938)		(483,938)	
Total primary government	<u>\$ 28,537,503</u>	<u>\$ 8,112,694</u>	<u>\$ 8,806,691</u>	<u>\$ 159,015</u>	<u>(11,459,103)</u>		<u>(11,459,103)</u>	
Component Unit								
Susque-View Nursing Home	<u>\$ 11,745,042</u>	<u>\$ 11,986,571</u>	<u>\$ -</u>	<u>\$ -</u>				<u>\$ 241,529</u>
General Revenues								
					12,315,141	-	12,315,141	-
					268,328	-	268,328	-
					423,721	-	423,721	-
					48,330	-	48,330	54,334
					354,256	-	354,256	-
					48,610	-	48,610	-
Total general revenues					<u>13,458,386</u>	<u>-</u>	<u>13,458,386</u>	<u>54,334</u>
Change in net position					<u>1,999,283</u>	<u>-</u>	<u>1,999,283</u>	<u>295,863</u>
Net position, beginning					7,356,192	1,139,949	8,496,141	6,681,889
Residual equity transfer (9-1-1)					<u>1,139,949</u>	<u>(1,139,949)</u>	<u>-</u>	<u>-</u>
Net position, ending					<u>\$ 10,495,424</u>	<u>\$ -</u>	<u>\$ 10,495,424</u>	<u>\$ 6,977,752</u>

See notes to financial statements

County of Clinton, Pennsylvania

Balance Sheet
 Governmental Funds
 December 31, 2016

	<u>General Fund</u>	<u>Revolving Loan</u>	<u>Children and Youth</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets						
Cash and cash equivalents	\$ 5,030,178	\$ -	\$ -	\$ -	\$ 4,060,064	\$ 9,090,242
Restricted cash	-	1,888,769	37,077	77,673	1,078,770	3,082,289
Investments	-	-	-	-	319,153	319,153
Receivables:						
Taxes, net	916,857	-	-	-	-	916,857
Accounts	1,233,523	-	7,469	-	128,244	1,369,236
Notes	3,705,930	1,462,037	-	-	-	5,167,967
Prepays	18,484	-	-	-	-	18,484
Due from other funds	2,093,396	-	309,881	-	308,312	2,711,589
Receivable from other governments	65,826	-	1,151,873	-	721,755	1,939,454
	<u>13,064,194</u>	<u>3,350,806</u>	<u>1,506,300</u>	<u>77,673</u>	<u>6,616,298</u>	<u>24,615,271</u>
Total assets	\$ 13,064,194	\$ 3,350,806	\$ 1,506,300	\$ 77,673	\$ 6,616,298	\$ 24,615,271
Liabilities, Deferred Inflows of Resources, and Fund Balances						
Liabilities:						
Accounts payable	\$ 515,491	\$ -	\$ 185,096	\$ 9,407	\$ 422,922	1,132,916
Due to other funds	1,220,619	-	933,846	92,947	440,952	2,688,364
Payable to other governments	-	-	-	-	2	2
Unearned revenue	-	-	319,601	-	1,134	320,735
Other accrued expenses	277,983	-	67,757	-	40,652	386,392
	<u>2,014,093</u>	<u>-</u>	<u>1,506,300</u>	<u>102,354</u>	<u>905,662</u>	<u>4,528,409</u>
Total liabilities	2,014,093	-	1,506,300	102,354	905,662	4,528,409
Deferred inflows of resources,						
Unearned tax revenues	661,946	-	-	-	-	661,946
	<u>661,946</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>661,946</u>
Deferred inflows of resources, Unearned tax revenues	661,946	-	-	-	-	661,946
Fund balances:						
Nonspendable	3,705,930	1,462,037	-	-	-	5,167,967
Restricted	-	1,888,769	-	-	5,710,636	7,599,405
Assigned	4,090,992	-	-	-	-	4,090,992
Unassigned (deficit)	2,591,233	-	-	(24,681)	-	2,566,552
	<u>10,388,155</u>	<u>3,350,806</u>	<u>-</u>	<u>(24,681)</u>	<u>5,710,636</u>	<u>19,424,916</u>
Total fund balances (deficit)	10,388,155	3,350,806	-	(24,681)	5,710,636	19,424,916
Total liabilities, deferred inflows of resources, and fund balances	\$ 13,064,194	\$ 3,350,806	\$ 1,506,300	\$ 77,673	\$ 6,616,298	\$ 24,615,271

See notes to financial statements

County of Clinton, Pennsylvania

Reconciliation of the Balance Sheet of the Governmental Funds
to the Statement of Net Position
December 31, 2016

Total Fund Balances, Governmental Funds \$ 19,424,916

**Amounts Reported for Governmental Activities in the
Statement of Net Position are Different Because:**

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statements, but are reported in the governmental activities of the statement of net position. The cost of assets is \$34,985,901 and the accumulated depreciation is \$19,564,575. 15,421,326

Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore, are reported as a deferred inflow of resources in the funds. 657,190

Deferred outflows related to the net pension liability are not reported in the governmental funds, however, are reported in the statement of net position. 2,610,833

Deferred inflows related to the net pension liability are not reported in the governmental funds, however, are reported in the statement of net position. (51,703)

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net position. Balances at December 31, 2016 are:

General obligation bonds	(21,346,814)	
Compensated absences	(1,474,434)	
Net pension liability	(4,666,815)	
Accrued interest on bonds	(79,075)	
	<u>(27,567,138)</u>	(27,567,138)

**Net Position of Governmental Activities in the
Statement of Net Position**

\$ 10,495,424

County of Clinton, Pennsylvania

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended December 31, 2016

	General Fund	Revolving Loan	Children and Youth	Capital Projects	Nonmajor Governmental Funds	Total
Revenues						
Taxes:						
Property taxes	\$ 12,184,458	\$ -	\$ -	\$ -	\$ -	\$ 12,184,458
Payments in lieu of taxes	423,721	-	-	-	-	423,721
Hotel taxes	268,328	-	-	-	-	268,328
Licenses and permits	46,549	-	-	-	-	46,549
Intergovernmental	839,507	-	3,568,116	-	4,856,523	9,264,146
Charges for services	6,268,732	-	87,524	-	425,543	6,781,799
Interest, rents and royalties	69,063	45,351	-	211	5,525	120,150
Other	1,108,739	-	1,672	-	70,625	1,181,036
	<u>21,209,097</u>	<u>45,351</u>	<u>3,657,312</u>	<u>211</u>	<u>5,358,216</u>	<u>30,270,187</u>
Total revenues						
Expenditures						
Current:						
General government - administrative	5,242,438	-	-	-	122,812	5,365,250
Judicial	3,216,673	-	-	-	1,366,952	4,583,625
Public safety	7,691,734	-	-	-	1,959,251	9,650,985
Public works	-	-	-	-	98,504	98,504
Human services	249,125	-	4,297,874	-	6,335	4,553,334
Culture and recreation	395,522	-	-	-	-	395,522
Conservation and development	577,635	165,463	-	-	1,811,046	2,554,144
Debt service:						
Principal	1,497,010	-	-	-	-	1,497,010
Interest and other charges	706,428	-	-	-	-	706,428
Capital outlay	-	-	-	201,074	-	201,074
	<u>19,576,565</u>	<u>165,463</u>	<u>4,297,874</u>	<u>201,074</u>	<u>5,364,900</u>	<u>29,605,876</u>
Total expenditures						
Excess (deficiency) of revenues over expenditures	1,632,532	(120,112)	(640,562)	(200,863)	(6,684)	664,311
Other Financing Sources (Uses)						
Refund of prior year expenditures	-	-	-	87,027	-	87,027
Transfers in	1,602,043	-	640,562	-	1,090,266	3,332,871
Transfers out	(2,759,881)	-	-	-	(572,990)	(3,332,871)
	<u>(1,157,838)</u>	<u>-</u>	<u>640,562</u>	<u>87,027</u>	<u>517,276</u>	<u>87,027</u>
Total other financing sources (uses), net						
Net changes in fund balances	474,694	(120,112)	-	(113,836)	510,592	751,338
Fund Balances, Beginning	9,913,461	3,470,918	-	89,155	4,060,095	17,533,629
Residual Equity Transfer	-	-	-	-	1,139,949	1,139,949
Fund Balances, Ending	<u>\$ 10,388,155</u>	<u>\$ 3,350,806</u>	<u>\$ -</u>	<u>\$ (24,681)</u>	<u>\$ 5,710,636</u>	<u>\$ 19,424,916</u>

County of Clinton, Pennsylvania

Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
Year Ended December 31, 2016

Net Change in Fund Balances, Total Governmental Funds \$ 751,338

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays, \$671,567 were exceeded by depreciation, \$1,096,317, in the current period. (424,750)

In the statement of activities, only the loss on disposal of assets is reported, whereas in the governmental funds, the proceeds from sales increase financial resources. Thus, the change in net position differs from the change in fund balance by the net carrying value of the assets. (13,250)

Under the modified accrual basis of accounting used in governmental funds, revenues are deferred until they become available. In the statement of activities, however, revenues are recorded regardless of when financial resources are available. This is the change in deferred real estate tax revenue during 2016. 127,461

The issuance of long-term debt (e.g. bonds, notes) 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 the government-wide net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. During the year ended December 31, 2016, the following transactions factor into this reconciliation:

Repayment of principal	1,497,010	
Amortization of bond premium	<u>(4,968)</u>	
		1,492,042

Certain compensated absences are considered long-term in nature, and are not reported as liabilities within the governmental funds. Such liabilities are reported within the statement of net position, and changes in these liabilities are reflected within the statement activities. This amount represents the change in long-term compensated absences payable during 2016. 33,684

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The additional amount due over the interest accrued in the statement of activities is shown here. 4,564

Net pension liability is considered long-term in nature, and is not reported as a liability within the governmental funds. Such liability is, however, reported within the statement of net position, and changes in the liability are reflected within the statement of activities. This amount represents the change in the net pension liability and related deferred outflows of resources during 2016. 28,194

Change in Net Position of Governmental Activities \$ 1,999,283

County of Clinton, Pennsylvania

Statement of Revenues, Expenses, and Change in Net Position

Proprietary Fund

Year Ended December 31, 2016

	<u>Emergency 9-1-1 Fund</u>
Net Position, Beginning	\$ 1,139,949
Residual Equity Transfer	<u>(1,139,949)</u>
Net Position, Ending	<u><u>\$ -</u></u>

See notes to financial statements

County of Clinton, Pennsylvania

Statement of Fiduciary Net Position

December 31, 2016

	<u>Pension Trust Fund</u>	<u>Agency</u>
Assets		
Cash and cash equivalents	\$ 232,618	\$ 1,232,500
Accrued income	86,214	-
Prepaid benefits	625	-
	<u>319,457</u>	<u>1,232,500</u>
Total cash, cash equivalents, and current assets		
Investments, at fair value:		
Certificates of deposit	1,371,387	-
U.S. Government obligations	5,974,584	-
Municipal obligations	75,752	-
Corporate and foreign bonds	5,518,904	-
Common stocks	20,778,197	-
Mutual funds	8,245,673	-
	<u>41,964,497</u>	<u>-</u>
Total investments		
	<u>\$ 42,283,954</u>	<u>\$ 1,232,500</u>
Total assets		
Liabilities		
Funds held in fiduciary capacity	\$ -	\$ 800,977
Due to other funds	-	23,226
Benefits payable	116	-
Due to other governments	-	408,297
	<u>116</u>	<u>408,297</u>
Total liabilities		
	<u>116</u>	<u>\$ 1,232,500</u>
Total liabilities		
Net Position		
Held in trust for pension benefits	<u>42,283,838</u>	
	<u>\$ 42,283,954</u>	
Total liabilities and net position		

See notes to financial statements

County of Clinton, Pennsylvania

Statement of Changes in Fiduciary Net Position

Year Ended December 31, 2016

	Pension Trust Fund
Additions	
Contributions:	
Plan members	\$ 1,131,808
County	800,000
	<hr/>
Total contributions	1,931,808
	<hr/>
Investment income:	
Realized gains	988,642
Net appreciation in fair value of investments	1,194,830
Interest and dividends	836,215
Investment activity expense	(164,988)
	<hr/>
Total net investment income	2,854,699
	<hr/>
Total additions	4,786,507
	<hr/>
Deductions	
Benefits paid	2,160,486
Refunds of member contributions	664,972
Administrative - actuarial fees	46,800
	<hr/>
Total deductions	2,872,258
	<hr/>
Change in net position	1,914,249
Net Position, Beginning of Year	40,369,589
	<hr/>
Net Position, End of Year	<u>\$ 42,283,838</u>

See notes to financial statements

County of Clinton, Pennsylvania

Notes to Financial Statements

December 31, 2016

1. Summary of Significant Accounting Policies - Primary Government

The accounting methods and procedures adopted by the County of Clinton, Pennsylvania (the "County") conform to accounting principles generally accepted in the United States of America ("GAAP"). GAAP includes all relevant Governmental Accounting Standards Board ("GASB") pronouncements.

The following notes to the financial statements are an integral part of the County's financial statements:

Financial Reporting Entity

In accordance with GASB Statement Nos. 14, 39, and 61, the County has evaluated all related entities (authorities, commissions and affiliates) for possible inclusion in the financial reporting entity.

The County of Clinton, located in central Pennsylvania, was formed in 1839. The County operates under an elected three-member Board of Commissioners (the "Commissioners"), and provides the following services: general administrative services, judicial, public safety, public works, human services, culture and recreation, conservation and development.

The County follows the criteria promulgated by GASB for purposes of determining the scope of its reporting entity. The financial statements of the County include the accounts of all County operations. As required under GAAP, the financial statements of the reporting entity include those of the County (the primary government) and its component unit. The component unit is included in the County's financial reporting entity because of the significance of its operational or financial relationship with the County.

Discretely Presented Component Unit

Discretely presented component units are separate legal entities that meet the component unit criteria, but do not meet the criteria for blending (a blended component unit's governing body is the same or substantially the same as the primary government, or provides services entirely to the primary government).

The component unit that is discretely presented in the County's report is presented below:

- Susque-View Home, Inc. ("Home") is a separate legal entity. The three members of the governing board of the Home are Clinton County Commissioners. The County is ultimately responsible for the funding of operating deficits incurred by the Home. In addition, the County has advanced funds to the Home for which the Home is providing repayment. The Home has a December 31 year-end. Complete financial statements for the Home can be obtained from the Clinton County Commissioners Office.

County of Clinton, Pennsylvania

Notes to Financial Statements
December 31, 2016

Blended Component Unit

Some component units, despite being legally separate from the County, as so intertwined with the primary government that they are, in substance, the same as the primary government and are reported as part of the primary government.

The component unit reported in this way is:

- The Clinton County Conservation District (the "District") is a legally separate entity, formed to promote protection, conservation, and sustainable use of natural resources. The County Commissioners appoint all District board members and the District is fiscally dependent upon the County. Separately issued financial statements are available through the District office.

Joint Ventures

The County is a participant along with the County of Lycoming, Pennsylvania for the provision of Mental Health/Mental Retardation services. The governing board consists of the six County Commissioners involved in the Joinder Agreement. This board, on an annual basis, sets the amount of the contribution required from each participating county, but the County of Clinton, Pennsylvania otherwise has no financial interest in the Joinder. For the fiscal year 2015-2016, Clinton County contributed \$152,965 to the operations of the Joinder.

Condensed financial information for the Joinder as of and for the year ended June 30, 2016, is as follows:

Assets	\$ 13,466,274
Liabilities	<u>13,519,955</u>
Net position	<u>\$ (53,681)</u>
Revenues	\$ 50,532,395
Expenditures	<u>50,629,421</u>
Net loss	<u>\$ (97,026)</u>

Complete and more detailed financial information is available by contacting the Lycoming-Clinton Joinder Board, Sharewell Building, 200 East Street, Williamsport, PA 17701.

County of Clinton, Pennsylvania

Notes to Financial Statements

December 31, 2016

Related Organizations

The following organizations are considered to be related organizations of the County because of their relationship and mutual interest. Although the County appoints a voting majority of the organizations' governing boards in most instances, the County does not impose its will or have significant financial accountability for these organizations. The related organizations are as follows:

- Clinton County Municipal Authority
- Clinton County Industrial Development Authority
- Clinton County Housing Authority
- Clinton County Recreational Authority
- Clinton County Economic Partnership
- Western Clinton County Recreational Authority
- Clinton County Agriculture Extension Service
- Clinton County Solid Waste Authority

Basis of Presentation

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the County as a whole. They include all funds of the County except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. A business-type activity is financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the County are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories.

The funds of the County are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the County and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds. 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.

County of Clinton, Pennsylvania

Notes to Financial Statements

December 31, 2016

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are either legally restricted to expenditures for specified purposes or designated to finance particular functions or activities of the County.

The Piper Revolving Loan Fund (a major fund) is used to account for financial resources to be used to provide and collect low interest loans from local small businesses.

The Children and Youth Services Fund (a major fund) is used to account for amounts received from various federal, state and local sources. These funds are restricted to provide support services to at-risk juveniles.

The County reports the following nonmajor governmental funds:

Liquid Fuels, Gas Well Impact - Act 13, Marcellus Shale Legacy Fund, Human Service Grant Fund, Domestic Relations Fund, Juvenile Court Restitution, Supervisor Fee Fund, Victim Witness Coordinator Fund, Probation Administrative Fee Fund, Hazardous Materials Response, Farmland Preservation Fund, Affordable Housing Fund, Community Development Block Grant, PHARE Grant, Records Improvement Funds, Coroner Vital Statistic Fund, Veterans Emergency Fund, Veterans Memorial Fund, District Attorney Forfeiture Fund, 911 Fund, and Conservation District Fund.

Capital Projects Funds

The Capital Project Fund is used to account for resources restricted for the acquisition or construction, acquisition or renovation of specific capital projects or items.

Proprietary Funds

Enterprise Fund

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector. The County's enterprise fund, a major fund, accounts for the fiscal activities of the County's emergency management operations (i.e., Emergency 9-1-1). During 2016, the County determined that its 9-1-1 activities would be best reported as a special revenue fund, due to changes in the manner in which its activities are financed. Accordingly, the County established a special revenue 9-1-1 Fund via a residual equity transfer from this enterprise fund effective January 1, 2016.

Fiduciary Funds

Pension Trust Fund

Pension trust funds are used to report the resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans. The County maintains one single-employer defined benefit pension trust fund, the Clinton County Employees' Retirement System.

Agency Funds

Agency funds are used to report resources held by the County in a purely custodial capacity (i.e., assets = liabilities.) Agency funds reported by the County in the accompanying financial statements include cash held by the following County Row Offices/Departments: Recorder of Deeds Fund, Register of Wills Fund, Sheriff's Fund, Treasurer's Fund, Prothonotary's Fund, Department of Emergency Services Fund, Tax Claim Bureau Fund, Clean and Green Fund, District Justice Fund and the Probation Fund.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resource measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary funds financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. 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 an expense/expenditure. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as financing sources. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability rather than an expense/expenditure within the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resource measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

County of Clinton, Pennsylvania

Notes to Financial Statements

December 31, 2016

Licenses, operating and capital grants, and interest associated with the current fiscal period are considered to be susceptible to accrual and as such, have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the County receives the cash.

Under the current financial resources measurement focus, only current financial assets and liabilities are generally included on their balance sheets. 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.

Amounts expended to acquire capital assets are recorded as expenditures in the year the resources were expended rather than as fund assets. The proceeds of long-term debt are recorded as another financing source rather than a fund liability. However, debt service expenditures are recorded only when payment is due.

Amounts reported as program revenues include charges to citizens, customers or applicants for goods, services, or privileges provided and operating grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Budgets and Budgetary Accounting

Commonwealth of Pennsylvania statutes require that all County Governments establish budgetary systems and approve annual operating budgets. The County's annual budget relates to the General Fund and its Children and Youth special revenue funds, and is based on estimates of revenues and expenditures approved by the Board of County Commissioners and serves as a management control. All budgets are adopted on a basis consistent with GAAP. The appropriated budget is prepared by fund, function, and department. Expenditures cannot legally exceed budgeted appropriations at the individual fund level. Additionally, management cannot revise the total budget obligation at the fund level without the approval of the Board of County Commissioners. The County's department heads may make transfers of appropriations within their departments. Although not legally obligated to do so, for management control purposes, the Commissioners review and approve interdepartmental budget transfers. All annual appropriations lapse at fiscal year end.

At December 31, 2016, the County has presented budgetary comparison information within the accompanying financial statements for its General Fund and Children and Youth Fund. No annual operating budget is adopted for the County's Revolving Loan Fund.

County of Clinton, Pennsylvania

Notes to Financial Statements
December 31, 2016

The County follows these procedures in establishing the budgetary data reported in the financial statements:

- During the fall, preliminary individual budgets are prepared by each department or agency and are reviewed by the Commissioners.
- During November, the County Commissioners, or their designee, meet with the head of each department and agency to review proposed changes to the preliminary budget.
- The Commissioners' Office then reassembles the preliminary budget data and prepares a final budget draft including all proposed expenditures and the financing plan, incorporating any revisions or adjustments evolving from the departmental meetings.
- In early December, the final budget is presented as a public Commissioners' meeting. In accordance with statutes contained in the County Code, public notice is given that the proposed budget is available for inspection for a twenty-day period.
- Prior to December 31, after the 20-day inspection period, but before December 31, the County Commissioners adopt the final budget by enacting an appropriate resolution.
- Formal budgeting integration is employed as a planning device. The budget adopted is on the modified accrual basis. Budget amounts are as originally adopted, or as amended by the County Commissioners.

During the course of the year, departmental needs may change, emergencies may occur, or additional revenue sources may arise. As a result funds are occasionally 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.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances outstanding at year end are reported as assignments of the fund balance because they do not constitute expenditures or liabilities and the commitments will be honored in the subsequent year. The County had no outstanding encumbrances at December 31, 2016.

County of Clinton, Pennsylvania

Notes to Financial Statements
December 31, 2016

New Accounting Principles

The County adopted GASB Statement No. 72, *Fair Value Measurement and Application* in 2016. The objective of this Statement is to address accounting and financial reporting issues related to fair value measurements and to provide guidance for applying fair value of certain investments and disclosures related to all fair value measurements. The effect of this adoption was to expand note disclosures related to fair value measurements.

The County adopted GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* in 2016. The objective of this Statement is to clarify the applicability and use of authoritative and non-authoritative sources of accounting and financial reporting for the preparation of state and local government financial statements. The adoption did not have a material impact on the County's financial statements.

The County adopted GASB Statement No. 77, *Tax Abatement Disclosures* in 2016. The objective of this Statement is to provide financial statement users with additional information regarding limitations on a government's ability to raise resources, including those resulting from government programs that include the use of tax abatements to induce behavior by individuals and entities that is beneficial to the government or its citizens. This Statement requires governments that enter into tax abatement agreements to disclose certain information about those agreements. The effect of this adoption was to expand note disclosures related to the effect on tax revenues from various tax abatement programs.

In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. Statement No. 79, permits qualifying external investment pools to measure pool investments, which function similarly to private sector money market funds, at amortized cost. The Statement also establishes additional disclosure requirements, which includes information about any limitations or restrictions on participant withdrawals, for both the pool and its participants. The adoption did not have a material impact on the County's financial statements.

Cash Equivalents

The County considers all highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

Investments

Investments of the Pension Trust Fund are stated at fair value for both reporting and actuarial purposes. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are generally reported at cost which is not expected to be materially different from fair value.

The County's investments in its Pension Trust Fund are comprised of a variety of financial instruments and are managed by an external investment advisor. The fair values reported in the statement of fiduciary net position are exposed to various risks, including changes in the equity markets, the interest rate environment, and general economic conditions. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amounts reported in the accompanying financial statements could change materially in the near term.

County of Clinton, Pennsylvania

Notes to Financial Statements

December 31, 2016

Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or advances to/from other funds (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Capital Assets

Capital assets include buildings, improvements, furniture, equipment, and vehicles, which are reported in the government-wide financial statements. Capital assets with initial, individual costs that equal or exceed \$5,000 and estimated useful lives in excess of one year are recorded as capital assets. Capital assets are recorded at historical costs or estimated 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.

Government-Wide Statements

In the government-wide financial statements, capital assets arising from cash transactions are accounted for as assets in the Statement of Net Position, as described above. Infrastructure assets acquired since January 1, 2003 are recorded at cost.

Depreciation of all exhaustible capital is allocated to the related functional expense category within the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation.

Estimated useful lives for each capital asset category of the County's capital assets are as follows:

	<u>Years</u>
Buildings and improvements	20 to 40
Equipment and vehicles	5 to 10
Leasehold assets	5
Agricultural easements	40
Infrastructure	40

Fund Financial Statements

In the fund financial statements, capital assets acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

County of Clinton, Pennsylvania

Notes to Financial Statements

December 31, 2016

Deferred Outflows/Inflows of Resources

In addition to assets, the County will sometimes report a separate section for deferred outflows (inflows) of resources. This separate financial statement element represents a consumption (acquisition) of net position that applies to a future period and so will not be recognized as an outflow (inflow) of resources until that time.

Unearned Revenues

Unearned revenues reported in government-wide financial statements will be recognized as revenue in the fiscal year they are earned in accordance with the accrual basis of accounting. Unearned revenues reported in governmental fund financial statements represent revenues, which are measurable but not available and in accordance with the modified accrual basis of accounting are reported as unearned revenues.

Compensated Absences

All compensated absences are accrued when incurred in the government-wide and enterprise fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Vacation Pay - Time accrues at various rates based on length of service. Employees are encouraged to utilize earned vacation time by December 31 of each period; however, current practice allows for the carryover of 187.5 hours to the subsequent calendar year.

Sick Pay - Employees earn various sick days per year based on length of service. Accrued unused sick time will be paid to the employee for the time earned not to exceed 70 days.

Interfund Transactions

As a result of its operations, the County affects a variety of transactions between funds to finance operations. Accordingly, to the extent that certain interfund transactions have not been paid or received as of December 31, 2016, appropriate interfund receivables or payables have been established. To the extent practical, the effect of interfund activity has been eliminated from the government-wide financial statements.

Equity Classification

Government-Wide Statements

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances on any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b. Restricted net position - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or; (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other components of net position that do not meet the definition of "restricted" or "net investment in capital assets".

It is the County's policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Governmental Fund Balance Classification/Policies and Procedures

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the County classifies its governmental fund balances as follows:

- *Non-spendable* - includes fund balance amounts that cannot be spent either because they are not in spendable form or because of legal or contractual constraints, such as inventory, notes receivable, or prepaid expenses
- *Restricted* - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation
- *Committed* - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the County through formal action of the County's "highest level of decision-making authority"
 - The Board of Commissioners of the County is its highest level of decision-making authority, and
 - The Board of Commissioners commits funds through ordinances.

County of Clinton, Pennsylvania

Notes to Financial Statements

December 31, 2016

- *Assigned* - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the County
 - The Board of Commissioners authorized the County Chief Clerk to assign funds to specific purposes.
- *Unassigned* - includes positive fund balance within the General Fund which has not been *classified* within the above mentioned categories and negative fund balances in other governmental funds

In governmental funds when an expenditure is incurred that can be paid using either restricted or unrestricted resources, the County's policy is generally to first apply the expenditure toward restricted resources and then to unrestricted resources.

When an expenditure is incurred that can be paid using either committed, assigned, or unassigned amounts, the County's policy is generally to apply the expenditure to committed resources, and then to unassigned resources.

Revenues, Expenditures and Expenses

Program Revenues

In the Statement of Activities, revenues that are derived from each activity or from parties outside the County's taxpayers are reported as program revenues. The County has the following program revenues in each activity:

Activity	Program Revenues
General government (administrative)	Departmental charges, program fees, licenses and permits
Judicial	Fines, fees, operating grants
Public safety	Fines, fees, operating grants
Public works	Operating grants, departmental charges
Human services	Operating grants, departmental charges
Culture and recreation	Operating grants
Conservation and development	Departmental charges, capital and operating grants

All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

Operating Revenues and Expenses

Operating revenues and expenses for the discretely presented component unit result from providing services (nursing facilities). They also include all revenues and expenses not related to capital and related financing, noncapital financing of investing activities. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Summary of Significant Accounting Policies - Component Unit

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments purchased with an original maturity of three months or less, excluding assets whose use is limited and investments.

Accounts Receivable, Residents and Third-Party Payors

Accounts receivable, residents and third-party payors, are reported at net realizable value. Accounts are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. The allowance for doubtful accounts is estimated based upon a periodic review of individual accounts.

Resident Trust Funds

Resident trust funds are accounted for as trust funds and are maintained separate from other funds.

Investments and Investment Risk

Long-term investments, consisting of cash and cash equivalents and mutual funds, are recorded at fair value.

Mutual funds, which invest in marketable debt and equity securities, are carried at fair value based upon quoted market prices. Adjustments to reflect increases or decreases in fair value are recorded as unrealizable gains and losses. Gains and losses arising from the sales and maturities of investments are recorded as realized gains and losses. Investments received as gifts are recorded at fair value upon receipt.

County of Clinton, Pennsylvania

Notes to Financial Statements

December 31, 2016

Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends earned, and trustee fees incurred) is included in the determination of operating gain or loss unless the income or loss is restricted by donor or law.

With regard to the Home, unrealized gains and losses on investments are excluded from determination of operating gain or loss unless the investments are trading securities.

The Home's investments are comprised of a variety of financial instruments and are managed by Investment advisors. The fair values reported in statements of financial position are subject to various risks including changes in the equity markets, the interest rate environment, and general economic conditions. Due to the level of risk associated with certain investment securities and level of uncertainty related to changes in fair value of investment securities, it is reasonably possible that the amounts reported in the accompanying financial statements could change materially in the near term.

Assets Whose Use is Limited

Assets whose use is limited include cash designated by the Home's Board of Trustees for future capital improvements, over which the Board retains control and may, at its discretion, subsequently use for other purposes and for future payments that may arise from the Home's self-insured Pennsylvania Unemployment Compensation Program and Workers' Compensation Program.

Property and Equipment

Property and equipment acquisitions representing individual assets or groups of similar assets with a value greater than \$500 capitalized and recorded at cost. Depreciation is computed using the straight-line method based on the estimated useful lives of the assets.

The useful lives for depreciable assets are generally as follows:

Buildings	5 - 40 years
Fixed equipment	5 - 25 years
Movable equipment	3 - 20 years
Land and improvements	2 - 25 years
Vehicles	3 - 10 years

Impairment of Property and Equipment

Property and equipment are evaluated for impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. If expected cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of the assets.

Compensated Absences

The Home's 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 financial statements. A liability for these amounts is recorded.

Temporarily Restricted Net Assets

Temporarily restricted net assets, if any, are those whose use by the Home has been limited by donors to a specific time period or purposes. There were no temporarily restricted net assets at December 31, 2016.

Net Resident Service Revenues

Net resident service revenues are reported at the estimated net realizable amounts from residents, third-party payors and others for services rendered. Amounts realized from third-party payors were \$2,052,328 less than customary charges for the year ended December 31, 2016.

The Home has agreements with third-party payors that provide for payment to the Home at amounts different from its established rates. A significant portion of the Home's net resident service revenues is derived from these third-party payer programs. A summary of the principal payment arrangements with third party payors follows:

Medical Assistance: Nursing services provided to Medical Assistance program beneficiaries are paid at prospectively determined rates per day. For the year ended December 31, 2016 approximately 61% of net resident service revenues were earned from services provided to Medical Assistance program beneficiaries.

Medicare: Nursing and ancillary services rendered to Medicare Part A beneficiaries are paid at prospectively determined rates per day. These rates vary according to a resident classification system that is based on clinical, diagnostic and other factors and the reimbursement methodology is subject to various limitations and adjustments.

The Home is reimbursed for therapy services provided to Medicare Part B beneficiaries at the lesser of a published fee schedule or actual charges.

As described above, the Medicare Part A rates are based on clinical, diagnostic and other factors. The determination of these rates is partially based on the Home's clinical assessment of its residents. The Home is required to clinically assess its residents at predetermined time periods throughout the year. The documented assessments are subject to review and adjustment by the Medicare program.

County of Clinton, Pennsylvania

Notes to Financial Statements

December 31, 2016

Funding Agreement

In accordance with the provision of a funding agreement between Clinton County, Pennsylvania (the "County") and the Home, the County is ultimately responsible for the funding of any operating deficits incurred by the Home so long as the Home continues to be a nonprofit corporation and is acting as the operator of the County's long-term care nursing facility. Any operating income shall be maintained by the Home to the extent that the County is refunded its annual contribution to the Home under the Medical Assistance funding agreement.

Income Taxes

The Home is a non-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on its exempt income under Section 501(a) of the Internal Revenue Code.

3. Cash, Cash Equivalents and Investments - Primary Government

Under Section 1706 of the County Code of the Commonwealth of Pennsylvania, the County is authorized to invest in the following:

- A. United States Treasury bills.
- B. Short-term obligations of the United States government or its agencies or instrumentalities.
- C. Savings accounts or time deposits, other than certificates of deposit, or share accounts of institutions having their principal place of business in the Commonwealth of Pennsylvania ("Commonwealth") and insured by the Federal Deposit Insurance Corporation ("FDIC").
- D. Obligations of the United States or any of its agencies or instrumentalities backed by the full faith and credit of the United States, the Commonwealth, or of any agencies or instrumentalities backed by the full faith and credit of the Commonwealth or of any political subdivision of the Commonwealth or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision. The County may also invest in shares of a registered investment company under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933.
- E. Certificates of deposit purchased from institutions having their principal place of business in or outside the Commonwealth, which are insured by federal agencies. For any amounts in excess of the insured maximum, such deposits shall be collateralized by a pledge or assignment of assets pursuant to Act No. 72 of the General Assembly. Certificates of deposit may not exceed 20% of a bank's total capital surplus or 20% of a savings and loan's or savings bank's assets net of its liabilities.
- F. "Commercial paper" and "prime commercial paper" meeting certain requirements.

County of Clinton, Pennsylvania

Notes to Financial Statements

December 31, 2016

Pension or retirement funds may be invested by the County according to the "Prudent Man Rule" as defined by the Decedents, Estates, and Fiduciaries Act, 20 PA C.S.CH.73, which is referred to in the County Code.

The deposit and investment policy of the County adheres to state statutes. Deposits of the governmental funds are either maintained in demand deposits or pooled for investment purposes in certificates of deposit. The deposits and investments of the pension trust fund are administered by trustees and are held separately from those of other County funds.

GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, requires disclosures related to the following deposit and investment risks; credit risk, custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. The following is a description of the County's deposit and investment risks.

Deposits with Financial Institutions

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the County will not recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The County does not have a formal deposit policy for custodial credit risk. As of December 31, 2016, the aggregate bank balance of bank deposits was \$13,866,654, of which \$1,000,000 was covered by federal depository insurance, and the uninsured remaining bank deposits of \$12,866,654 were covered by pledged pools of assets maintained in accordance with Act 72 of the General Assembly that requires the institution pool collateral for all governmental deposits. The carrying amount of these bank deposits was \$13,637,648 at December 31, 2016.

Investments - Governmental Funds/Activities

The County's blended component unit, Clinton County Conservation District (a non-major governmental fund type), held shares in the Pennsylvania Treasurer's INVEST Program for Local Governments and Nonprofits ("INVEST") at December 31, 2016. INVEST functions similar to a money market fund, seeking to maintain a net asset value of \$1 per share. Participants purchase "shares" in INVEST, which invests the proceeds in: obligations of the United States Government; repurchase agreements with bank and non-bank financial institutions; and other debt instruments of banks, financial institutions, and non-financial institutions authorized for the shareholder by Commonwealth of Pennsylvania Statute (this would include certificates of deposit and money market funds). Deposits held by INVEST are not insured by the Federal Depository Insurance Corporation; however, deposits are collateralized with securities held by the pledging institution, but not in the participant's name. INVEST has received an "AAAm" rating from Standard & Poor's, an independent credit rating agency. Due to the short-term nature and liquidity of the investments held within this pool, the fair value of the underlying investments approximates amortized cost. Shares with INVEST may be withdrawn at any time in any amount, with no liquidity fees or redemption gates. At December 31, 2016, the carrying value (fair value) of these funds with INVEST were \$319,153.

County of Clinton, Pennsylvania

Notes to Financial Statements

December 31, 2016

Investments - Pension Trust Fund

The County's Pension Trust Fund's investments are held separately from those of other County funds. Assets in the Pension Trust Fund are stated at fair value. The Clinton County Retirement Board utilizes the County Pension Law, Act 96 of August 31, 1971 for determining appropriate investments, as described above.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the County, and are held by either the counterparty or the counterparty's trust department or agent but not in the name of the County. All investments of the Pension Trust Fund are held in trust in the name of the County at Wilmington Trust Company as December 31, 2016.

Credit Risk - Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a credit rating by a nationally recognized rating organization. The County's investment policy limits operating investments in federal agency securities that carry direct or implied guarantees of the U.S. Government. The County's Retirement Investment Policy states fixed income securities must be rated as investment grade by Moody's and/or Standard and Poor's.

As of December 31, 2016, the County's credit quality distribution of securities as a percentage of total investments is as follows:

Credit Quality Distribution of Securities with Credit Exposure as a Percentage of Total Investments

Security Type	Credit Rating	% of Security Type
U.S. Government Treasuries	Not Rated	100 %
U.S. Government Agencies	AA+	8
U.S. Government Agencies	Not Rated	92
Municipal Obligations	AA-	100
Corporate and Foreign Bonds	AAA	13
Corporate and Foreign Bonds	AA+	4
Corporate and Foreign Bonds	AA	1
Corporate and Foreign Bonds	AA-	9
Corporate and Foreign Bonds	A+	10
Corporate and Foreign Bonds	A	13
Corporate and Foreign Bonds	A-	16
Corporate and Foreign Bonds	BBB+	14
Corporate and Foreign Bonds	BBB	2
Corporate and Foreign Bonds	BBB-	1
Corporate and Foreign Bonds	Not Rated	17

County of Clinton, Pennsylvania

Notes to Financial Statements

December 31, 2016

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of the County's investment in a single issuer. The County's investment policy for operating funds is to invest in U.S. Government or Federal agency securities for which there is no limit to the investment amount.

At December 31, 2016, 19.6% of the County's Pension Trust Fund investments were invested in the McKee International Equity Fund.

Interest Rate Risk - Interest rate risk is the risk that changes in market rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, the County's investment policy is to invest funds to meet its projected cash flow requirements. Investments of the General Fund and Special Revenue Funds are made at the discretion of the County Commissioners, as long as such investments are made at financial institutions approved by the County Commissioners, and are fully collateralized by securities with a fair value equal to or exceeding the cost of the investment.

The County's Retirement Plan Investment Policy states that emphasis shall be placed on providing adequate and timely investment cash flow to permit benefit payments from the Retirement Plan when due. Fixed income investment allocation is targeted to 35% (with an allowable range of +/- 10%) of the portfolio. The investments may be adjusted to meet economic and/or investment market conditions. The following table sets forth the County's investment maturities at December 31, 2016:

	Fair Value	Investment Maturities (in Years)			
		Less than 1	1 - 5	6 - 10	More than 10
U.S. Government Treasury	\$ 2,696,381	\$ -	\$ 1,367,461	\$ 1,328,920	\$ -
U.S. Government Agencies	3,278,204	-	276,211	230,853	2,771,140
Municipal Obligations	75,752	-	75,752	-	-
Certificates of Deposit	1,371,387	-	1,371,387	-	-
Corporate bonds	5,518,904	63,527	2,508,845	2,076,382	870,150
Total	<u>\$ 12,940,628</u>	<u>\$ 63,527</u>	<u>\$ 5,599,656</u>	<u>\$ 3,636,155</u>	<u>\$ 3,641,290</u>

Foreign Currency Risk - Foreign currency risk is the risk that changes in the foreign exchange rate will adversely affect the fair value of an investment. There are currently no investments in securities exchanged in foreign denominations. The County does not have a formal policy for foreign currency risk.

County of Clinton, Pennsylvania

Notes to Financial Statements

December 31, 2016

Fair Value Measurements - 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.

The County has the following recurring fair value measurements as of December 31, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total Fair Value</u>
Assets Reported at Fair Value:				
Investments:				
Certificates of deposit	\$ -	\$ 1,371,387	\$ -	\$ 1,371,387
Common equity securities:				
Materials	363,628	-	-	363,628
Industrials	2,711,153	-	-	2,711,153
Telecommunication	328,502	-	-	328,502
Consumer discretionary	3,035,079	-	-	3,035,079
Consumer staples	1,126,878	-	-	1,126,878
Energy	1,450,174	-	-	1,450,174
Financials	3,329,374	-	-	3,329,374
Health care	2,638,434	-	-	2,638,434
Information technology	5,525,532	-	-	5,525,532
Utilities	245,728	-	-	245,728
Other	23,715	-	-	23,715
Mutual funds:				
International fund (McKee International Equity)	8,233,661	-	-	8,233,661
Other	12,012	-	-	12,012
U.S. government and agency obligations	-	5,974,584	-	5,974,584
Corporate bonds	-	5,518,904	-	5,518,904
Municipal obligations	-	75,752	-	75,752
Total investments/assets by valuation hierarchy	<u>\$ 29,023,870</u>	<u>\$ 12,940,627</u>	<u>\$ -</u>	<u>\$ 41,964,497</u>

Common equity securities and mutual funds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Long-term certificates of deposit, U.S. government and agency obligations, corporate and municipal bonds classified in Level 2 of the fair value hierarchy are valued using matrix pricing. The County held no investments classified as Level 3 at December 31, 2016.

County of Clinton, Pennsylvania

Notes to Financial Statements

December 31, 2016

4. Investments - Component Unit

At December 31, 2016, the fair value of the Home's investments, by major category, were as follows:

Cash and money market	\$	762,243
Certificates of deposit		200,136
Mutual funds:		
Fixed income		687,077
Equity		<u>608,754</u>
Total	\$	<u><u>2,258,210</u></u>

The following schedule summarizes the Home's investment return:

Interest and dividends	\$	31,272
Net realized losses		(8,851)
Net unrealized gains		<u>31,913</u>
Total investment return	\$	<u><u>54,334</u></u>

Concentration of Credit Risk

The Home maintains substantially all of its cash and investments at one financial institution which at times exceeds the limits insured by the FDIC. Total balances are insured up to \$250,000 by the Federal Deposit Insurance Corporation. The Home is designated a Government Banking client, and therefore, by law the financial institution must further collateralize all funds of the Home.

County of Clinton, Pennsylvania

Notes to Financial Statements

December 31, 2016

5. Real Estate Taxes

Real estate taxes are levied on March 1 and are payable on the following terms: 2% discount March 1 through April 30, face amount May 1 through June 30; and 5% penalty after June 30. The County bills these taxes, which are collected by elected tax collectors, and revenues are recognized in the period in which they are collected (pursuant to the modified cash basis of accounting). The County collects delinquent real estate taxes for itself and for other taxing authorities.

The County is permitted by the County Code 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 funded debt. Assessed values of real property are generally 40% of the market value as determined by the Clinton County Bureau of Assessment in 1995. The total 2016 real estate taxes levied was \$12,338,114 based on a total county assessed valuation of \$2,056,352,372. The County levy for 2016 was 6.0 mills for general County purposes, meaning that a property owner would pay \$6.00 per \$1,000 of assessed valuation.

Delinquent real estate taxes receivable at December 31, 2016 were approximately \$1,019,000. The amount of delinquent taxes receivable is reported net of an allowance for doubtful accounts of approximately \$102,000.

Tax Abatement Programs

The County provides three property tax abatement programs to eligible tax payers: "Clean and Green," "Local Economic Revitalization Tax Assistance Program (LERTA)", and "Tax Increment Financing Program (TIF)."

Clean and Green is a preferential tax assessment program that bases property taxes on use values rather than fair market values. This ordinarily results in a tax savings for landowners. The Pennsylvania General Assembly enacted the program in 1974 as a tool to encourage protection of the Commonwealth's valuable farmland, forestland and open spaces. A property must be ten acres in size, and in Agricultural Use, Agricultural Reserve, or Forest Reserve. Agricultural Use applications may be less than 10 acres in size if the property is capable of generating at least \$2,000 annually in fair income. The total amount of taxes abated under the Clean and Green Program during the year ended December 31, 2016 amounted to approximately \$287,388.

The LERTA program provides property tax abatements to provide a tax break to new commercial properties in certain sections of the County as a way to stimulate business and economic growth. The abatements apply to the assessed value of improvements to a property. For the first year, 100 percent of the improvements are abated and decreases by 10% through to the end. The total amount of taxes abated under the LERTA program during the year ended December 31, 2016 amount to approximately \$65,000.

The TIF is a method of reallocating property tax revenues which are produced as a result of an increase in taxable valuation above a "base valuation" figure within a tax increment. Commencing in the calendar year 2008 and continuing through and including calendar year 2024, or the first calendar year in which the Notes are no longer outstanding, 4.3 mills for each property under the TIF will be paid by the County to and escrow agent. The total amount of taxes abated under the TIF program during the year ended December 31, 2016 amounts to approximately \$27,000.

County of Clinton, Pennsylvania

Notes to Financial Statements
December 31, 2016

6. Capital Assets

Primary Government

A summary of changes in the County's governmental activities capital assets is as follows:

	January 1, 2016	Additions	Disposals	Transfers/ Reclassification	December 31, 2016
Governmental activities					
Capital assets not being depreciated:					
Land	\$ 749,482	\$ -	\$ (13,250)	\$ 45,600	\$ 781,832
Construction in process	463,618	175,327	-	(463,619)	175,326
Total capital assets not being depreciated	<u>1,213,100</u>	<u>175,327</u>	<u>(13,250)</u>	<u>(418,019)</u>	<u>957,158</u>
Capital assets being depreciated:					
Buildings and improvements	21,819,269	67,069	-	3,791,267	25,677,605
Equipment and vehicles	4,048,888	343,163	-	2,802,899	7,194,950
Agricultural easements	622,878	35,040	-	-	657,918
Leasehold assets	131,142	-	-	-	131,142
Infrastructure	250,000	50,968	-	66,160	367,128
Total capital assets being depreciated	<u>26,872,177</u>	<u>496,240</u>	<u>-</u>	<u>6,660,326</u>	<u>34,028,743</u>
Less accumulated depreciation for:					
Buildings and improvements	13,152,268	505,207	-	272,388	13,929,863
Equipment and vehicles	3,205,765	566,935	-	1,487,555	5,260,255
Agricultural easements	151,432	15,973	-	-	167,405
Leasehold assets	131,142	-	-	-	131,142
Infrastructure	67,708	8,202	-	-	75,910
Total accumulated depreciation	<u>16,708,315</u>	<u>1,096,317</u>	<u>-</u>	<u>1,759,943</u>	<u>19,564,575</u>
Total capital assets being depreciated, net	<u>10,163,862</u>	<u>(600,077)</u>	<u>-</u>	<u>4,900,383</u>	<u>14,464,168</u>
Governmental activity capital assets, net	<u>\$ 11,376,962</u>	<u>\$ (424,750)</u>	<u>\$ (13,250)</u>	<u>\$ 4,482,364</u>	<u>\$ 15,421,326</u>

Depreciation expense, which amounted to \$1,096,317 for the year ended December 31, 2016, was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General government-administration	\$ 363,123
Judicial	58,313
Public safety	630,064
Public works	7,757
Human services	11,733
Conservation and development	<u>25,327</u>
Total depreciation expense - governmental activities	<u>\$ 1,096,317</u>

County of Clinton, Pennsylvania

Notes to Financial Statements

December 31, 2016

A summary of changes in the County's business-type activity capital assets is as follows:

	January 1, 2016	Additions	Disposals	Transfers	December 31, 2016
Business-Type Activity					
Capital assets not being depreciated:					
Land	\$ 45,600	\$ -	\$ -	\$ (45,600)	\$ -
Construction in process	-	-	-	-	-
Total capital assets not being depreciated	45,600	-	-	(45,600)	-
Capital assets being depreciated:					
Buildings and improvements	3,628,104	-	-	(3,628,104)	-
Equipment and vehicles	2,568,603	-	-	(2,568,603)	-
Total capital assets being depreciated	6,196,707	-	-	(6,196,707)	-
Less accumulated depreciation for:					
Buildings and improvements	272,388	-	-	(272,388)	-
Equipment and vehicles	1,487,555	-	-	(1,487,555)	-
Total accumulated depreciation	1,759,943	-	-	(1,759,943)	-
Total capital assets being depreciated, net	4,436,764	-	-	(4,436,764)	-
Business-type activity capital assets, net	\$ 4,482,364	\$ -	\$ -	\$ (4,482,364)	\$ -

Effective January 1, 2016, the County transferred its 9-1-1 operations from a business-type activity to its governmental activities, resulting in \$4,482,364 net book value of capital assets being added to the County's governmental activities capital assets.

Component Unit

Property, equipment and accumulated depreciation of the Home as of December 31, 2016 is as follows:

Buildings	\$ 4,881,334
Fixed equipment	5,036,918
Movable equipment	3,034,734
Land and improvements	381,411
Vehicles	260,858
Construction-in-progress	85,021
Total	13,680,276
Less accumulated depreciation	10,288,492
Total	\$ 3,391,784

Depreciation expense of the Home for the year ended December 31, 2016 was \$465,047.

County of Clinton, Pennsylvania

Notes to Financial Statements

December 31, 2016

7. Loans and Notes Receivable

The County's Piper Revolving Loan Fund (the "Fund") accounts for the proceeds received from Piper Aircraft, Inc. The Fund provides loan-rate financing to industries and businesses within the community. The loans range from 1 to 15 year periods with interest rates at 4% per annum. At December 31, 2016, \$1,462,037 in loan balances are outstanding from community businesses.

On December 1, 2006, the County issued its General Obligation Bonds, Series of 2006, in the original principal amount of \$5,795,000. A portion of the proceeds, \$4,200,000, was used for the planning, designing, purchasing, acquiring, constructing, and equipping of sewage and wastewater facilities within Woodward Township (the "Township"). The agreement between the County and the Township states that the Township is to pay the debt service on the Township's portion of the proceeds pursuant to the County's bond agreement. The total amount drawn by the Township as of December 31, 2016 was \$4,126,199 and is reflected as an asset in the County's General Fund. The General Fund will utilize the funds received from the agreement with the Township for debt service. As of December 31, 2016, the Township has repaid \$931,199 and the current outstanding balance is \$3,195,000.

In September 2009, the County issued its Guaranteed Revenue Bonds, Series of 2009. The proceeds were to be used for the Flemington and Bald Eagle Township's Sanitary Sewage Collection and Transportation System Improvements and Extensions Project. The agreement between the County and the Townships states that the Townships are to pay the debt service on the Townships' portion of the proceeds. The total amount drawn by the Townships as of December 31, 2016 was \$750,413. The General Fund will utilize the funds received from the repayment agreement with the Townships for debt service. As of December 31, 2016, the Townships have made payments amounting to \$239,483 to the County and the current outstanding balance is \$510,930.

In 2004 and 2008, the County issued its General Obligation Notes, Series of 2004 and Series of 2008 for the purpose of funding various projects, including facility acquisition, at the Centre Counties Youth Center (the "Center"). The Center is an undertaking of the Counties of Centre (33.23%), Clearfield (14.54%), Clinton (25.55%), Huntingdon (7.03%), and Mifflin (19.65%). The balance due to the County from the participating entities was \$419,309 at December 31, 2016.

County of Clinton, Pennsylvania

Notes to Financial Statements

December 31, 2016

8. Assets Whose Use is Limited - Component Unit

Assets whose use is limited as of December 31, 2016 is as follows:

Workers' compensation fund	\$ 1,363,678
Funded depreciation	<u>24,121</u>
Total	<u>\$ 1,387,799</u>

The composition of assets whose use is limited as of December 31, 2016 is as follows:

Cash and cash equivalents	\$ 338,217
Money market	113,655
US Treasuries and government agencies	<u>935,927</u>
Total	<u>\$ 1,387,799</u>

9. Accrued Expenses - Component Unit

At December 31, 2016, the Home's accrued expenses, which are reported along with accounts payable in the accompanying statement of net position, consisted of the following:

Vacation	\$ 280,658
Pension contributions	80,035
Payroll	102,885
Payroll taxes	36,661
Holiday pay	18,583
Hospitalization	300,000
Other	<u>17,313</u>
Total	<u>\$ 836,135</u>

County of Clinton, Pennsylvania

Notes to Financial Statements

December 31, 2016

10. Long-Term Debt

At December 31, 2016, the County's long-term debt consisted of the following:

Description	Interest Rate	Amount of Original Issue	Balance at 1/1/16	Additions	Retirements/ Refundings	Balance at 12/31/16	Current Portion
General Obligation Note, Series A of 2004	2.16%	\$3,313,000	\$2,230,000	-	\$(160,000)	\$2,070,000	175,000
General Obligation Note, Series of 2008	2.66%	825,000	520,000	-	(100,691)	419,309	55,000
Guaranteed Revenue Bond, Series of 2009	1.274 - 2.547%	863,977	542,262	-	(31,319)	510,943	32,126
General Obligation Bonds, Series B of 2010	4.80 - 6.48%	4,860,000	4,050,000	-	(180,000)	3,870,000	190,000
General Obligation Notes, Series of 2010	2.00 - 2.70%	335,000	70,000	-	(70,000)	-	-
General Obligation Bonds, Series of 2012	1.00 - 3.00%	6,305,000	5,075,000	-	(420,000)	4,655,000	245,000
General Obligation Bonds, Series of 2013	1.63%	2,150,000	1,311,000	-	(430,000)	881,000	437,000
General Obligation Bonds, Series of 2015	0.65 - 2.95%	9,125,000	9,120,000	-	(105,000)	9,015,000	580,000
Total			22,918,262	-	(1,497,010)	21,421,252	1,714,126
Bond discount			(79,406)	-	4,968	(74,438)	-
Total long-term debt			<u>\$ 22,838,856</u>	<u>\$ -</u>	<u>\$ (1,492,042)</u>	<u>\$ 21,346,814</u>	<u>\$ 1,714,126</u>

County of Clinton, Pennsylvania

Notes to Financial Statements

December 31, 2016

Specific information on each debt instrument is as follows:

In 2004, the County issued its \$3,313,000 General Obligation Note, Series A of 2004, due in varying installments including interest at a fixed rate (2.16% at December 31, 2016) equal to Manufacturers and Traders Trust Company Two and One Half Years Costs of Funds plus a margin of 1.20% (the "reset interest rate"), through July 16, 2019, at which time the rate will be reset. The proceeds of the Bond were used to fund the actuarial accrued pension liability.

In 2008, the County issued its \$825,000 General Obligation Note, Series of 2008, due in varying semi-annual installments including interest at 2.66% per annum with final maturity scheduled for December 2028. The proceeds of the Note were used for the Storage Building Project, the Centre County Youth Center's Water Main Project and the costs of issuance. The Water Main project is an undertaking of the Counties of Centre (33.23%), Clearfield (14.54%), Clinton (25.55%), Huntingdon (7.03%), and Mifflin (19.65%). Clinton County issued the debt and the other involved Counties will be making payments for their share of the annual costs and expenses in accordance with their supplemental agreement. (The County reports a receivable for the participating Counties/Townships share of this liability within notes receivable in the statement of net position and the governmental funds balance sheet.)

In 2009, the County issued its \$863,977 Guaranteed Revenue Bond, Series of 2009, due in monthly installments of principal and interest at 1.274% through July 2016, then at 2.547% per annum through maturity in July 2031. The proceeds of the bond were used for the Sanitary Sewage Collection and Transportation System Improvements and Extensions. This project is an undertaking by the Townships of Bald Eagle and Flemington. Clinton County issued the debt and the other involved Townships will be making payments for their share of the annual debt service costs. (The County reports a receivable for the participating Counties/Townships share of this liability within notes receivable in the statement of net position and the governmental funds balance sheet.)

Also in 2010, the County issued it \$4,860,000 General Obligation Bonds, Series B of 2010, due in varying semi-annual installments including interest at rates ranging from 4.80% to 6.48% per annum, with final maturity scheduled for December 2030. The proceeds of the Bond were used to fund the County's actuarial accrued pension liability and finance the costs of issuance.

Also in 2010, the County issued its \$335,000 General Obligation Notes, Series of 2010, due in varying semi-annual installments including interest at rates ranging from 2.00% to 2.70% per annum with final maturity scheduled for December 2016. The proceeds of the Bond were used to advance refund the County's then outstanding General Obligation Bond, Series of 2006 and pay the costs of issuance.

In 2012, the County issued its \$6,305,000 General Obligation Bonds, Series of 2012, due in varying semi-annual installments including interest at rates ranging from 0.40% to 3.00% per annum with final maturity scheduled for December 2032. The proceeds of the Bonds were used for the advance refunding of the County's then outstanding General Obligation Bonds, Series of 2006, towards various capital projects and to pay the costs of issuance.

County of Clinton, Pennsylvania

Notes to Financial Statements

December 31, 2016

In 2013, the County issued its \$2,150,000 General Obligation Bonds, Series of 2013, due in varying semi-annual installments including interest at 1.63% per annum with final maturity scheduled for December 2018. The proceeds of the Bonds were used for various capital projects of both governmental funds and business-type activity and to pay the costs of issuance.

In 2015, the County issued its \$9,125,000 General Obligation Bonds, Series of 2015, due in varying semi-annual installments including interest at rates ranging between 0.40% to 2.95% per annum with final maturity scheduled for December 2031. The proceeds of the Bonds were used to currently refund the County's then outstanding General Obligation Note, Series of 2004, to currently refund the County's then outstanding General Obligation Bonds, Series A of 2010, to advance refund the County's then outstanding General Obligation Bonds, Series of 2011, and to pay the related costs of issuance.

Interest paid on these bonds and notes during the year ended December 31, 2016 amounted to \$706,428.

Annual debt service requirements with respect to these issues are as follows:

	Governmental Activities		Total
	Principal	Interest	
2017	\$ 1,714,126	\$ 664,261	\$ 2,378,387
2018	1,776,954	628,711	2,405,665
2019	1,458,804	583,268	2,042,072
2020	1,384,675	674,599	2,059,274
2021	1,440,568	617,520	2,058,088
2022-2026	7,377,071	2,072,432	9,449,503
2027-2031	5,964,731	741,560	6,706,291
2032-2033	304,323	10,395	314,718
Total	21,421,252	5,992,746	27,413,998
Less: Discount	(74,438)	-	(74,438)
Total	<u>\$ 21,346,814</u>	<u>\$ 5,992,746</u>	<u>\$ 27,339,560</u>

County of Clinton, Pennsylvania

Notes to Financial Statements

December 31, 2016

Component Unit

Line of Credit

The Home has an unsecured demand line of credit in the amount of \$500,000 with a bank with a rate of interest equal to the bank's prime rate. This line of credit is guaranteed by the County of Clinton and is subject to annual review. There were no borrowings outstanding on the line of credit at December 31, 2016.

Long Term Debt

The Home entered into a loan agreement with Sustainable Energy Fund, a not-for profit corporation, in the amount of \$90,000, for the purpose of making improvements to real property that will upgrade pneumatic controls at the Home. The loan is to be repaid over a term of 60 months in equal monthly installments of \$1,500 at 0.00% interest per annum through October 2019.

The aggregate remaining maturities at December 31, 2016 are as follows:

Years ending December 31:	
2017	\$ 18,000
2018	18,000
2019	<u>15,000</u>
Total maturities	51,000
Less amounts representing interest	<u>-</u>
Remaining principal	<u><u>\$ 51,000</u></u>

11. Compensated Absences

The changes in the County's compensated absences in 2016 are summarized as follows:

Governmental Activities:	
Balance, January 1, 2016	\$ 1,508,118
Increase	153,927
Decrease	<u>(187,611)</u>
Balance, December 31, 2016	<u><u>\$ 1,474,434</u></u>

County of Clinton, Pennsylvania

Notes to Financial Statements

December 31, 2016

12. Employee Retirement Plan

Plan Description

The Clinton County Employees' Retirement System (the "Plan") is a contributory defined benefit single employer retirement plan covering all County employees, and part-time employees of the County who work 1,000 or more hours per year. The Plan is included in the accompanying financial statements of the County as a pension trust fund and does not issue a separate plan financial statement.

The financial statements of the Pension Trust Fund are prepared on the accrual basis of accounting. Plan members and employer contributions to the Plan are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

The County Retirement Board, comprised of the three Commissioners, Treasurer and Chief Clerk, manages and governs the Plan.

At January 1, 2016, the date of the latest valuation, employees covered by the Plan consisted of the following:

Retirees and beneficiaries receiving benefits	138
Terminated employees entitled to benefits but not yet receiving them	22
Active plan participants	<u>229</u>
Total membership	<u><u>389</u></u>
Number of participating employers	<u><u>1</u></u>

Benefits Provided

The Plan provides retirement, disability and death benefits for normal retirement at age 60 (or 55 with 20 years of service) based on a formula including the highest 3-year average salary and years of credited service, in addition to the member's accumulated contribution to the Plan. Early retirement is available upon 20 years of service or after 8 years, if involuntary termination occurs. Members become vested after 8 years of service. County employees who terminate prior to entitlement to plan benefits will receive their accumulated contributions with interest. Benefits are determined pursuant to Commonwealth of Pennsylvania Act 96 of 1971, as amended, commonly referred to as the County Pension Law. All plan members are eligible for disability benefits after 5 years of service if disabled while in service. Disability retirement benefits are equal to 25% of final 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. Cost of living adjustments are provided at the discretion of the County Retirement Board.

County of Clinton, Pennsylvania

Notes to Financial Statements
December 31, 2016

Funding Policy and Contributions

Employees are required to contribute a portion of their salaries (9% of earnings in 2016) to the Plan and employees can elect to contribute up to 19% of their salaries. Per Act 96 of 1971, 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. Administrative costs of the Plan are financed through investment earnings.

The Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate assets to pay benefits when due. Level percentages of payroll employer contribution rates are determined using the entry age normal actuarial cost funding method.

The annual required contribution was determined based on the most recent annual actuarial valuation dated January 1, 2016. The entry age normal actuarial cost method of funding was used in the valuation, which does not identify or separately amortize unfunded actuarial liabilities. Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 7.0% per year compounded annually; (b) projected salary increases of 4.0% per year for 2016, increasing by 0.25% per year to 4.50% for 2018 and later years, compounded annually; and (c) no postretirement benefit increases. Both (a) and (b) include an inflation component of 2.5%. The method used to determine the actuarial value of assets is market value adjusted for unrecognized gains and losses from prior years.

Deposits and Investments

The Plan allows funds to be invested pursuant to a strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of asset classes, as approved by the Retirement Board, and established the following target allocation across asset categories:

Asset Class	Target	Long-Term Expected Real Rate of Return
U.S. equity	45 %	6.0 %
Foreign equity	20	6.5
Fixed income	35	1.5

The long-term expected rate of return on the Plan's 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) were developed for each major asset class. These ranges were combined to produce 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 or arithmetic real rates of return for each major asset class included in the Plan's target asset allocation for the 2016 measurement period are listed in the table above.

County of Clinton, Pennsylvania

Notes to Financial Statements
December 31, 2016

Rate of Return

For the year ended December 31, 2016, the annual money-weighted rate of return (loss) on pension plan investments, net of Plan investment expense, was 7.16%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability

The components of the net pension liability of the Plan as of December 31, 2016 were as follows:

Total pension liability	\$ 46,950,653
Plan fiduciary net position	<u>42,283,838</u>
Plan net pension liability (asset)	<u>\$ 4,666,815</u>
Plan fiduciary net position as a percentage of total pension liability	<u>90.1 %</u>

Changes in the Net Pension Liability

The changes in the County's net pension liability during the year ended December 31, 2016 are as follows:

	<u>Increases (Decreases)</u>		
	<u>Total Pension Liability (A)</u>	<u>Plan Fiduciary Net Position (B)</u>	<u>Net Pension Liability (A) - (B)</u>
Balances at January 1, 2016	\$ 45,344,724	\$ 40,369,590	\$ 4,975,134
Changes for the year:			
Service cost	1,270,277	-	1,270,277
Interest cost	3,163,960	-	3,163,960
Differences between expected and actual experience	(2,850)	-	(2,850)
Employer contributions	-	800,000	(800,000)
Employee contributions	-	1,131,808	(1,131,808)
Net investment income	-	2,854,698	(2,854,698)
Benefit payments (including refunds)	(2,825,458)	(2,825,458)	-
Administrative expenses	-	(46,800)	46,800
Net changes	<u>1,605,929</u>	<u>1,914,248</u>	<u>(308,319)</u>
Balance at December 31, 2016	<u>\$ 46,950,653</u>	<u>\$ 42,283,838</u>	<u>\$ 4,666,815</u>

County of Clinton, Pennsylvania

Notes to Financial Statements

December 31, 2016

The schedule of changes in the employer's net pension liability and related ratios, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information related to the funded status of the Plan.

Actuarial Assumptions

The total pension liability above was determined by an actuarial valuation performed as of January 1, 2016 using the following actuarial methods and assumptions:

Actuarial valuation date	January 1, 2016
Actuarial cost method	Entry-age normal
Actuarial assumptions:	
Projected salary increases, including inflation	4.0 - 4.5 %
Inflation	2.5 %
Interest rate	7.0 %
Cost-of-living adjustments	N/A
Asset valuation method	Market

Mortality rates were based on the RP-2000 Mortality Tables with rates projected using Scale AA. The actuarial assumptions used in the January 1, 2016 valuation were based on past experience under the Plan and reasonable future expectations which represent a best estimate of anticipated experience under the Plan.

Discount Rate

The discount rate used to measure the total pension liability for the Plan was 7.00%, the same as the prior valuation. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that County contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate.

Based on those assumptions, the Pension Fund'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.

Discount Rate Sensitivity

The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below presents the pension liability of the Plan calculated using the discount rate of 7.00% as well as what the net pension liability would be if it were to be calculated using a discount rate that is 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate:

	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate</u>	<u>1% Increase (8.00%)</u>
Net pension liability (asset)	\$ 11,103,503	\$ 4,666,815	\$ (588,420)

County of Clinton, Pennsylvania

Notes to Financial Statements

December 31, 2016

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended December 31, 2016, the County recognized pension expense of \$1,463,563. At December 31, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences in projected and actual experience	\$ 197,461	\$ (2,309)
Net difference in projected and actual earnings on plan investments	<u>2,413,372</u>	<u>(49,394)</u>
Total	<u>\$ 2,610,833</u>	<u>\$ (51,703)</u>

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

Years ending December 31:	
2017	\$ 907,290
2018	907,291
2019	734,352
2020	10,342
2021	(145)

Defined Contribution Plan - Component Unit

The Home sponsors a voluntary defined contribution retirement plan covering substantially all employees. The Home's contributions are based upon employee contributions and a percentage of compensation. Total expense amounted to \$80,374 for the year ended December 31, 2016.

County of Clinton, Pennsylvania

Notes to Financial Statements
December 31, 2016

13. Interfund Balances and Transfers

Balances Due to/from Other Funds

Individual fund receivable and payable amounts at December 31, 2016 were as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Governmental Funds:		
General Fund	\$ 2,093,396	\$ 1,220,619
Children and Youth	309,881	933,846
Capital Projects	-	92,947
Nonmajor governmental funds	308,312	440,952
Total Governmental Funds	<u>2,711,589</u>	<u>2,688,364</u>
Fiduciary Fund	-	23,225
Total	<u>\$ 2,711,589</u>	<u>\$ 2,711,589</u>

The County utilizes a pooled operating fund to enhance investment return, therefore, interfund receivables and payables are recorded to recognize amounts held by the General Fund on behalf of other funds. In addition, the County's General Fund had receivables from its Children and Youth Fund as a result of payments due from the Commonwealth of Pennsylvania at December 31, 2016.

Transfers to/from Other Funds

	<u>Transfer In</u>	<u>Transfers Out</u>
General Fund	\$ 1,602,043	\$ 2,759,881
Children and Youth	640,562	-
Nonmajor governmental funds	1,090,266	572,990
Total Governmental Funds	<u>\$ 3,332,871</u>	<u>\$ 3,332,871</u>

Transfers are used to move revenues from the fund that the budget requires to collect them to the fund that the budget requires them to expend them; provide matching funds for grants; use unrestricted General Fund revenues to finance activities which must be accounted for in another fund and to segregate money for anticipated capital projects.

In addition to the above, the County made a \$1,139,949 residual equity transfer from its Emergency 9-1-1 Fund, previously accounted for as proprietary fund/business-type activity, to a (non-major) governmental fund of the same name. The transfer, which was effective January 1, 2016, was made due to changes in the manner in which the 9-1-1 operation is funded, and the fact that the County's 9-1-1 operation no longer met the criteria to be accounted for as a proprietary fund/business-type activity.

County of Clinton, Pennsylvania

Notes to Financial Statements
December 31, 2016

14. Fund Balance

Classifications

The County presents its governmental fund balances by level of constrain in the aggregate on its balance sheet - governmental funds. The individual specific purposes of each constrain are presented below:

	<u>General Fund</u>	<u>Revolving Loan</u>	<u>Children and Youth</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Nonspendable for:						
Loans	<u>\$ 3,705,930</u>	<u>\$ 1,462,037</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,167,967</u>
Restricted for:						
Capital Projects	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Marcellus Shale - Act 13	-	-	-	-	737,443	737,443
Human Services	-	-	-	-	1,875,721	1,875,721
Program purposes	-	1,888,769	-	-	2,223,784	4,112,553
Conservation and development	-	-	-	-	873,688	873,688
Total	<u>\$ -</u>	<u>\$ 1,888,769</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,710,636</u>	<u>\$ 7,599,405</u>
Assigned for:						
Capital projects	\$ 1,391,852	\$ -	\$ -	\$ -	\$ -	\$ 1,391,852
Medical savings	<u>2,699,140</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,699,140</u>
Total	<u>\$ 4,090,992</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,090,992</u>

15. Medical Malpractice Claims Coverage - Component Unit

The Home maintains occurrence based professional liability coverage through a commercial insurance carrier. Management believes no incidents have occurred or will be asserted that will exceed the Home's insurance coverage or will have a material adverse effect on the financial statements. At December 31, 2016, professional liability coverage was provided for the Home in the amount of \$500,000 per occurrence and \$1,500,000 per annual aggregate.

16. Commitments and Contingencies

Grants

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

County of Clinton, Pennsylvania

Notes to Financial Statements
December 31, 2016

Litigation

In the normal course of business, the County may be subject to pending and threatened lawsuits in which claims for monetary damage could be asserted. In management's opinion, the County's financial position and results of operations would not be materially affected by the outcome of such legal proceedings.

Geographic Risk - Component Unit

The Home's operations are located in Lock Haven, Pennsylvania. Its primary service area includes Lock Haven, Pennsylvania and surrounding communities in Clinton County, Pennsylvania. The Home grants credit without collateral to its resident most of whom are insured under third-party payor agreements, primarily with Medicare, Medical Assistance and various commercial insurance companies.

Concentration of Labor - Component Unit

At December 31, 2016, approximately 61% of the Home's employees were covered by a collective bargaining agreement.

17. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Public Entity Risk Pools

The County participates in the Pennsylvania Counties Risk Pool ("PCoRP"), a public entity risk pool program of the County Commissioners Association of Pennsylvania ("CCAP"). The County pays an annual premium to PCoRP for its general insurance coverage. The agreement for the formation of PCoRP provides that the pool will be self-sustaining through member premiums and will reinsure through commercial insurance for claims in excess of \$250,000 for each insured event. The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining; however, this has not yet been necessary. PCoRP has published its own financial report for the year ended December 31, 2016, which can be obtained through its offices, P.O. Box 60769, Harrisburg, PA, 17106-0769 (Attn: John Sallade, Managing Director).

Commercial Insurance

The County has elected to self-insure its employee medical insurance plan. The County has limited this self-insurance liability through the purchase of catastrophic reinsurance coverage which will reimburse the County for any medical costs over \$50,000 per covered individual per year. The County believes that it has adequately provided for all asserted claims and has no knowledge of unasserted claims for which it has not provided. The County's asset for all asserted and estimated unasserted claims was \$330,241 December 31, 2016. The cost of medical coverage for employees was approximately \$2,000,000 in 2016.

The County carries commercial insurance for all other risks of loss, including health care and workers compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

County of Clinton, Pennsylvania

Notes to Financial Statements

December 31, 2016

Component Unit

The Home maintains a self-insurance program for its workers' compensation insurance. The Home is liable for claims up to \$450,000 per occurrence and has obtained an excess limits insurance policy for claims in excess of \$450,000 in which the insurer will pay up to \$1,000,000 per occurrence. Self-insurance costs are accrued based upon the aggregate of the liability for reported claims.

The Home maintains a self-insurance program for its Pennsylvania unemployment compensation. The Home is directly liable for any Pennsylvania unemployment compensation paid on its behalf.

The senior living services industry is subject to numerous laws, regulations, and administrative directives of federal, state, and local governments and agencies. Compliance with these laws, regulations, and administrative directives is subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. Recently, government activity has increased with respect to fraud and abuse statutes and regulations, which could result in the imposition of significant fines and penalties as well as significant repayments for resident services previously billed. Management is not aware of any material incidents of noncompliance; however, the possible future financial effects of this matter on the organization, if any, are not presently determinable.

18. Net Third-Party Settlement Agreements - Component Unit

As a result of the 2006-2007 Intergovernmental Transfer Agreement, the Commonwealth of Pennsylvania, Department of Human Services (DHS) makes annual Medicaid Day One Incentive payments, paid in equal quarterly installments, to eligible county nursing facilities as an incentive to preserve the critical safety network county nursing facilities provide to the poor and indigent residents of Pennsylvania. Amounts recognized by the Home under this agreement totaled \$418,674 for the year ended December 31, 2016.

Additionally, Clinton County and the Home participated in another intergovernmental transfer with the Commonwealth of Pennsylvania. In 2016, the County transferred \$1,590,227 to the Commonwealth. This payment represents the difference between how much the Home collects as Medicaid reimbursements and the potential maximum payments it could obtain if the same patients were covered by Medicare. The Commonwealth considers these funds as its own, in order to earn matching federal Medicaid dollars. The Home received the original monies put up by the County, plus the proceeds of the federal match. In 2016, this amounted to \$2,420,806. The Home then subsequently reimbursed the County the \$1,590,227 originally given to the Commonwealth.

County of Clinton, Pennsylvania

Notes to Financial Statements

December 31, 2016

Retroactively effective July 1, 2007, the DHS was given the authority to collect an assessment from county nursing facilities under the Pennsylvania Nursing Facility Assessment Program, which previously only applied to non-governmental licensed nursing facilities. The revenue from this assessment will be used to maintain Medical Assistance (MA) rates and provide additional reimbursement to MA participating nursing facilities. The Home is required to pay the assessment on a quarterly basis based upon its quarterly census. For the year ended December 31, 2016, assessment payments totaling \$365,092 were recognized.

Total net third-party settlement agreements recognized for the year ended December 31, 2016 were \$866,489.

19. Fair Value Measurements - Component Unit

Statement of Financial Accounting Standards Board Codification No. 820-10-50, *Fair Value Measurements* (FASC 820-10-50), establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the Inputs to valuation techniques used to measure fair value based on the transparency of the inputs to the valuation of an asset or liability as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Home has the ability to access.

Level 2 - Inputs to the valuation methodology include other significant observable inputs such as:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means
- If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

County of Clinton, Pennsylvania

Notes to Financial Statements

December 31, 2016

Assets/liabilities measured at fair value on recurring basis comprise the following at December 31, 2016:

Assets whose use is limited (Level 1):	
Money market funds	\$ 113,655
US Treasuries and government agencies	935,927
Investments (Level 1):	
Money market funds	762,243
Certificates of deposit	200,136
Mutual funds:	
Fixed income	687,077
Equity	608,754
Total	<u>\$ 3,307,792</u>

Included in the assets whose use is limited is cash totaling \$338,217 for the year ended December 31, 2016, which is not reflected in the schedule above.

Fair values of money markets funds, US Treasuries and government agencies, and mutual funds are determined by reference to quoted unadjusted market prices and other relevant general information by market transactions.

20. Pending Changes in Accounting Principles

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which replaces the requirements of GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Statement No. 74 addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. The Statement follows the framework for financial reporting of defined benefit OPEB plans in Statement 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. The Statement requires more extensive note disclosures and RSI related to measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. Statement 74 also sets forth note disclosure requirements for defined contribution OPEB plans. The County is required to adopt Statement No. 74 for its calendar 2017 financial statements.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Statement 75 requires governments to report a liability on the face of the financial statements for the OPEB that they provide. Governments that are responsible only for OPEB liabilities related to their own employees and that provide OPEB through a defined benefit OPEB plan administered through a trust that meets specified criteria will report a net OPEB liability equal to the difference between the total OPEB liability and assets accumulated in the trust and restricted to making benefit payments. Governments that participate in a cost-sharing OPEB plan that is administered through a trust that meets the specified criteria will report a liability equal to their proportionate share of the collective OPEB liability for all entities participating in the cost-sharing plan. Governments that do not provide OPEB through a trust that meets specified criteria will report the total OPEB liability related to their employees.

County of Clinton, Pennsylvania

Notes to Financial Statements

December 31, 2016

Statement 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information ("RSI") about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements. The County is required to adopt Statement No. 75 for its calendar 2018 financial statements.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units, an amendment of GASB Statement No. 14*. Statement No. 80 amends the blending requirements related to not-for-profit corporations for which the primary government is the sole corporate member. To the extent applicable, the County is required to adopt Statement No. 80 for its calendar 2017 financial statements.

In March 2016, the GASB issued Statement No. 82, *Pension Issues, an amendment of GASB Statements No. 67, No. 68, and No. 73*. This Statement addresses certain implementation issues related to (1) the presentation of payroll-related measures in required supplementary information; (2) selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes; and, (3) the classification of payments made by employers to satisfy employee contribution requirements. The County is required to adopt Statement No. 82 for its calendar 2017 financial statements.

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement. GASB 83 is effective for the County's calendar year 2019 financial statements.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This Statement will enhance consistency and comparability of governmental financial statements by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhances the value provided by the information reported in financial statements for assessing government accountability and stewardship. GASB 84 is effective for the County's calendar year 2019 financial statements.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. This Statement will enhance consistency in the application of accounting and financial reporting requirements. Consistent reporting will improve the usefulness of information for users of state and local government financial statements. GASB 85 is effective for the County's calendar year 2018 financial statements.

County of Clinton, Pennsylvania

Notes to Financial Statements

December 31, 2016

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. This Statement establishes standards of accounting and financial reporting for in-substance defeasance transactions in which cash or other monetary assets acquired with only existing resources - that is, resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the purpose of extinguishing debt. This Statement also amends accounting and financial reporting requirements for prepaid insurance associated with debt that is extinguished, whether through a legal extinguishment or through an in-substance defeasance, regardless of how the cash and other monetary assets were acquired. Finally, this Statement establishes an additional disclosure requirement related to debt that is defeased in substance, regardless of how the cash and other monetary assets were acquired. GASB 86 is effective for the County's calendar year 2018 financial statements.

In June 2017, the GASB issued Statement No. 87, *Leases*. This statement will increase the usefulness of a government's financial statements by requiring recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources, based on the payment provisions of the contract. To the extent applicable, the County would be required to implement GASB 87 during its 2020 calendar year.

County management is in the process of analyzing these pending changes in accounting principles and the impact, if any, they will have on the financial reporting process.

21. Subsequent Events

In February 2017, the County issued its General Obligation Bonds, Series A of 2017 (federally taxable), in the amount of \$4,115,000, to finance various capital additions and improvements to the County Prison, and to pay certain related costs, including the cost of issuing the Series A of 2017 bonds.

Also in February 2017, the County issued its General Obligation Bonds, Series B of 2017, in the amount of \$2,290,000, to finance various capital projects of the County including but not limited to the planning, acquisition, construction, and installation of capital improvements, renovations and additions to the County administrative office, County Courthouse, and other County buildings.

County of Clinton, Pennsylvania

Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual - General Fund
Year Ended December 31, 2016
(Unaudited)

	Original and Final Budget	Actual	Variances Favorable (Unfavorable)
Revenues			
Taxes:			
Property taxes	\$ 12,025,793	\$ 12,184,458	\$ 158,665
Payments in lieu of taxes	422,515	423,721	1,206
Hotel taxes	244,900	268,328	23,428
Licenses and permits	38,200	46,549	8,349
Intergovernmental:	732,243	839,507	107,264
Charges for services	5,829,282	6,268,732	439,450
Interest, rent and royalties	38,822	69,063	30,241
Other	1,062,407	1,108,739	46,332
	<u>20,394,162</u>	<u>21,209,097</u>	<u>814,935</u>
Total revenues			
Expenditures			
Current:			
General government - administrative	5,576,037	5,242,438	333,599
Judicial	3,217,532	3,216,673	859
Public safety	8,079,886	7,691,734	388,152
Human services	257,272	249,125	8,147
Culture and recreation	396,800	395,522	1,278
Conservation and development	575,597	577,635	(2,038)
Debt service:			
Principal	1,107,835	1,518,237	(410,402)
Interest and other charges	647,545	685,201	(37,656)
	<u>19,858,504</u>	<u>19,576,565</u>	<u>281,939</u>
Total expenditures			
Excess of revenues over expenditures	<u>535,658</u>	<u>1,632,532</u>	<u>1,096,874</u>
Other Financing Sources (Uses)			
Proceeds from sale of County property	7,000	-	(7,000)
Transfers in	1,704,322	1,602,043	(102,279)
Transfers out	(3,075,480)	(2,759,881)	315,599
	<u>(1,364,158)</u>	<u>(1,157,838)</u>	<u>206,320</u>
Total other financing sources (uses), net			
Net Changes in Fund Balance	<u>\$ (828,500)</u>	<u>\$ 474,694</u>	<u>\$ 1,303,194</u>

See notes to financial statements

County of Clinton, Pennsylvania

Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual - Children and Youth Fund
Year Ended December 31, 2016
(Unaudited)

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variances Favorable (Unfavorable)</u>
Revenues			
Intergovernmental:	\$ 3,583,549	\$ 3,568,116	\$ (15,433)
Charges for services	92,292	87,524	(4,768)
Contributions and donations	<u>2,500</u>	<u>1,672</u>	<u>(828)</u>
Total revenues	3,678,341	3,657,312	(21,029)
Expenditures			
Current:			
Human services	<u>4,645,261</u>	<u>4,297,874</u>	<u>347,387</u>
Deficiency of revenues over expenditures	<u>(966,920)</u>	<u>(640,562)</u>	<u>326,358</u>
Other Financing Sources (Uses)			
Transfers in	<u>966,920</u>	<u>640,562</u>	<u>(326,358)</u>
Total other financing sources (uses), net	<u>966,920</u>	<u>640,562</u>	<u>(326,358)</u>
Net Changes in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See notes to financial statements

County of Clinton, Pennsylvania

Schedule of Changes in Net Pension Liability and Related Ratios

Year Ended December 31, 2016

(Unaudited)

	2016	2015	2014
Total Pension Liability			
Service cost	\$ 1,270,277	\$ 1,210,959	\$ 1,086,357
Interest	3,163,960	3,046,820	2,903,378
Differences between expected and actual experience	(2,850)	313,613	-
Changes of assumptions	-	-	-
Benefit payments, including refunds of member contributions	(2,825,458)	(2,456,184)	(2,301,398)
Net change in total pension liability	1,605,929	2,115,208	1,688,337
Total Pension Liability - Beginning	45,344,724	43,229,516	41,541,179
Total Pension Liability - Ending (a)	<u>\$ 46,950,653</u>	<u>\$ 45,344,724</u>	<u>\$ 43,229,516</u>
Plan Fiduciary Net Position			
Employer contributions	\$ 800,000	\$ 500,000	\$ 435,000
Employer service purchases	-	-	5,337
Employee contributions	1,131,808	979,411	1,024,476
Net investment income (loss)	2,854,698	(546,307)	1,963,230
Benefit payments, including refunds of member contributions	(2,825,458)	(2,456,184)	(2,301,398)
Administration	(46,800)	(34,700)	(33,025)
Other	-	-	-
Net change in plan fiduciary net position	1,914,248	(1,557,780)	1,093,620
Plan Fiduciary Net Position - Beginning	40,369,590	41,927,370	40,833,750
Plan Fiduciary Net Position - Ending (b)	<u>\$ 42,283,838</u>	<u>\$ 40,369,590</u>	<u>\$ 41,927,370</u>
County's Net Pension Liability (Asset) - Ending (a) - (b)	<u>\$ 4,666,815</u>	<u>\$ 4,975,134</u>	<u>\$ 1,302,146</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	90.1%	89.0%	97.0%
Covered-employee Payroll	<u>\$ 10,433,967</u>	<u>\$ 9,918,163</u>	<u>\$ 9,328,489</u>
County's Net Pension Liability (Asset) as a Percentage of Covered - Employee Payroll	44.73%	50.16%	13.96%

Notes to Schedule:

Benefit Changes: No Changes in benefits.

Changes of Assumptions: No changes in assumptions.

The County implemented GASB Statement No. 67 in calendar year 2014. Information prior to calendar year 2014 is not available.

County of Clinton, Pennsylvania

Schedule of Employer Contributions
 Year Ended December 31, 2016
 (Unaudited)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Actuarially determined contribution	\$ 329,183	\$ 298,224	\$ 663,178	\$ 448,645	\$ 132,798	\$ 414,751	\$ 652,018	\$ 667,125	\$ 803,278	\$ 842,384
Contributions in relation to the actuarially determined contribution	-	329,183	298,224	5,435,709	-	350,000	220,000	435,000	500,000	800,000
Contribution deficiency (excess)	<u>\$ 329,183</u>	<u>\$ (30,959)</u>	<u>\$ 364,954</u>	<u>\$ (4,987,064)</u>	<u>\$ 132,798</u>	<u>\$ 64,751</u>	<u>\$ 432,018</u>	<u>\$ 232,125</u>	<u>\$ 303,278</u>	<u>\$ 42,384</u>
Covered-employee payroll	\$ 7,144,625	\$ 7,542,375	\$ 7,826,516	\$ 8,037,511	\$ 8,580,537	\$ 8,808,202	\$ 8,957,622	\$ 9,328,489	\$ 9,918,163	\$ 10,433,967
Contributions as a percentage of covered-employee payroll	0.00%	4.36%	3.81%	67.63%	0.00%	3.97%	2.46%	4.66%	5.04%	7.67%

Notes to Schedule:

Valuation date: Actuarially determined contributions are calculated as of January 1 of the current calendar year

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-age normal actuarial cost method
Amortization method	Level dollar, closed
Remaining amortization period	12 years
Asset valuation method	Gains and losses (compared to the expected return) are recognized evenly over 5 years; however, the actuarial value of assets may not be less than 80% nor more than 120% of market value
Inflation	N/A
Salary increases	4% per year for 2016, increasing by 0.25% per year to 4.5% for 2018 and later years
Investment rate of return	7.0%
Retirement age	Age 60 or 55 with 20 years' service
Mortality	RP-2000 Table with rates projected using Scale AA

County of Clinton, Pennsylvania

Schedule of Investment Return
Year Ended December 31, 2016
(Unaudited)

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Annual money-weighted rate of return, net of investment expense	<u>4.86%</u>	<u>-1.32%</u>	<u>7.16%</u>

Notes to Schedule:

The County implemented GASB Statement No. 67 in calendar year 2014. Information prior to calendar year 2014 is not available.

County of Clinton, Pennsylvania

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2016

Grantor/Program Title	Federal CFDA Number	Contract Period	Pass-Entity Identification Number	Program Amount	Total Received for the Year	Accrued or (Deferred) Revenue at 1/1/2016	Adjustments	Revenue Recognized	Federal Expenditures	Accrued (Deferred) Revenue at 12/31/2016	Amounts Passed Through to Subrecipients
U.S. Department of Agriculture											
Passed through Pennsylvania Department of Agriculture:											
Food Distribution Cluster:											
Emergency Food Assistance Program (Administrative Costs)	10.568		446360		\$ 3,074	\$ -	\$ -	\$ 6,133	\$ 6,133	\$ 3,059	\$ 6,133
Emergency Food Assistance Program (Food Commodities)	10.569	10/1/15 - 9/30/16	8-02-60-128	\$ 40,447	39,585	-	-	39,585	39,585	-	39,585
Total Food Distribution Cluster					42,659	-	-	45,718	45,718	3,059	45,718
Total U.S. Department of Agriculture					42,659	-	-	45,718	45,718	3,059	45,718
U.S. Department of Housing and Urban Development											
Passed through Pennsylvania Department of Community and Economic Development:											
2013 Community Development Block Grant											
2013 Community Development Block Grant	14.228	6/30/14-6/29/17	C000059071	225,471	112,930	-	-	112,930	112,930	-	93,325
2014 Community Development Block Grant	14.228	8/5/15-8/4/18	C000061776	227,383	129,011	-	-	136,506	136,506	7,495	126,951
2014 Competitive Community Development Block Grant	14.228	1/5/16-1/4/19	C000062148	750,000	62,348	-	-	93,310	93,310	30,962	52,170
2015 Community Development Block Grant	14.228	4/6/16-4/5/19	C000062826	225,548	2,502	-	-	43,276	43,276	40,774	43,204
Total Community Development Block Grant Program					306,791	-	-	386,022	386,022	79,231	315,650
2014R Emergency Solutions Grant Program											
2014R Emergency Solutions Grant Program	14.231	3/1/16-8/20/19	C000062178	40,909	40,909	-	-	40,909	40,909	-	40,909
2015 Emergency Solutions Grant Program	14.231	1/4/16-7/14/17	C000062451	232,039	137,511	-	-	165,992	165,992	28,481	165,992
Total Emergency Solutions Grant Program					178,420	-	-	206,901	206,901	28,481	206,901
Continuum Care Program	14.267	1/4/16-7/14/17	C000062451		2,779	-	-	2,779	2,779	-	2,779
Total US Department of Housing and Urban Development					487,990	-	-	595,702	595,702	107,712	525,330
Federal Highway Administration, U.S. Department of Transportation											
Passed through Pennsylvania Department of Transportation:											
Highway Safety Cluster:											
National Priority Safety Program (DUI Court)	20.616	10/1/14-9/30/15	HSGP-G-2015	69,268	15,517	15,517	-	-	-	-	-
National Priority Safety Program (DUI Court)	20.616	10/1/15-9/30/16	HSGP-G-2016	70,816	53,297	-	-	74,065	74,065	20,768	-
Total Highway Safety Cluster					68,814	15,517	-	74,065	74,065	20,768	-
Total Federal Highway Administration, U.S. Department of Transportation					68,814	15,517	-	74,065	74,065	20,768	-
U.S. Department of Health and Human Services											
Passed through Pennsylvania Department of Human Services											
Guardianship Assistance	93.090		N/A		66,287	36,292	(11,309)	55,090	55,090	13,786	-
Promoting Safe and Stable Families	93.556		N/A		2,060	-	-	2,060	2,060	-	-
Temporary Assistance for Needy Families (TANF Cluster)	93.558		N/A		107,316	17,285	18,443	102,376	102,376	30,788	-
Child Support Enforcement - Title IV-D	93.563		N/A		455,146	38,814	53,837	447,792	447,792	85,297	-
Stephanie Tubbs Jones Child Welfare Services Program - Title IV-B	93.645		N/A		71,065	-	-	71,065	71,065	-	-
Foster Care - Title IV-E	93.658		N/A		511,135	267,078	(81,228)	374,675	374,675	49,390	-
Foster Care - Title IV-E Adoption Assistance	93.659		N/A		270,466	89,701	15,299	218,608	218,608	53,142	-
Social Services Block Grant	93.667		N/A		30,807	(5,136)	15,405	20,538	20,538	-	-
Chafee Foster Care Independence Program	93.674		N/A		31,158	10,180	690	20,288	20,288	-	-
Medicaid - Title XIX (Medicaid Cluster)	93.778		N/A		356,823	16,046	(16,047)	510,409	510,409	153,585	510,409
Total U.S. Department of Health and Human Services					1,902,263	470,260	(4,910)	1,822,901	1,822,901	385,988	510,409
U.S. Department of Homeland Security											
Passed through Pennsylvania Emergency Management Agency,											
Emergency Management Performance Grants	97.042	10/1/15-9/30/16	GR4100070874	62,501	62,501	-	-	62,501	62,501	-	-
Homeland Security Grant Program	97.067		N/A	4,254	4,254	-	-	4,254	4,254	-	-
Total U.S. Department of Homeland Security					66,755	-	-	66,755	66,755	-	-
Total federal awards					\$ 2,568,481	\$ 485,777	\$ (4,910)	\$ 2,605,141	\$ 2,605,141	\$ 517,527	\$ 1,081,457

County of Clinton, Pennsylvania

Schedule of Selected Commonwealth of
Pennsylvania Department of Human Services
Year Ended December 31, 2016

<u>Grantor/Program Title</u>	<u>Combined Federal and State Expenditures</u>
Pennsylvania Department of Human Services	
Child Support Enforcement	\$ 518,074
Children & Youth Services	3,568,116
Homeless Assistance Program	23,816
Human Service Development Fund	49,877
Medical Assistance Transportation Program	<u>1,020,817</u>
Total selected Pennsylvania Department of Human Services Assistance	<u><u>\$ 5,180,700</u></u>

*See notes to schedules of expenditures of federal awards and
selected Commonwealth of Pennsylvania
Department of Human Services Assistance*

County of Clinton, Pennsylvania

Notes to Schedules of Expenditures of Federal Awards and
Selected Commonwealth of Pennsylvania Department of Human Services Assistance
December 31, 2016

1. Basis of Presentation

The accompanying schedules of expenditures of federal awards and selected Commonwealth of Pennsylvania Department of Human Services assistance (collectively, the "Schedules") include the federal grant activity of the County of Clinton, Pennsylvania (the "County") under programs of the federal government and selected Commonwealth of Pennsylvania, Department of Human Services expenditures under programs of the Department of Human Service for the year ended December 31, 2016. The information in the Schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the requirements Commonwealth of Pennsylvania, Department of Human Services ("DHS") *Single Audit Supplement*. Because the schedules present only a selected portion of the operations of the County, they are not intended to and do not present the financial position, changes in net position/fund balance or cash flows of the County.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedules are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in Office of Management and Budget Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

3. Indirect Cost Rate

The County has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance; instead, the County prepares an annual cost allocation plan that is utilized to allocate costs to its various federal and state programs.

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

Board of Commissioners
County of Clinton, Pennsylvania

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Clinton, Pennsylvania (the "County") as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 27, 2017. Our report includes a reference to other auditors who audited the financial statements of the Susque-View Home, Inc., the County's discretely presented component unit, as described in our report on the County's financial statements. This report does not include the results of the other auditors testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Susque- View Home, Inc. were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2016-001 and 2016-002, that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

County's Responses to Findings

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Baker Tilly Virchow Krause, LLP

Williamsport, Pennsylvania
September 27, 2017

**Independent Auditors' Report on Compliance
for Each Major Federal Program and on
Internal Control Over Compliance in Accordance with
the Uniform Guidance and the Commonwealth of Pennsylvania,
Department of Human Services *Single Audit Supplement***

Board of Commissioners
County of Clinton, Pennsylvania

Report on Compliance for Each Major Federal and DHS Program

We have audited the County of Clinton, Pennsylvania's (the "County") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the Commonwealth of Pennsylvania, Department of Human Services ("DHS") *Single Audit Supplement* that could have a direct and material effect on each of the County's major federal and DHS programs for the year ended December 31, 2016. The County's major federal and DHS programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal and state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal and state DHS programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and; the Commonwealth of Pennsylvania, DHS *Single Audit Supplement*. Those standards, the Uniform Guidance and the DHS *Single Audit Supplement* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state DHS program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state DHS program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal and DHS Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state DHS programs for the year ended December 31, 2016.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2016-003. Our opinion on each major federal and state DHS program is not modified with respect to this matter.

The County's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and DHS program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state DHS program and to test and report on internal control over compliance in accordance the Uniform Guidance and the DHS *Single Audit Supplement*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state DHS program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state DHS program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state DHS program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-003, that we consider to be a significant deficiency.

The County's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and the DHS *Single Audit Supplement*. Accordingly, this report is not suitable for any other purpose.

Baker Tilly Virchow Krause, LLP

Williamsport, Pennsylvania
September 27, 2017

County of Clinton, Pennsylvania

Schedule of Findings and Questioned Costs
Year Ended December 31, 2016

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? X yes none reported

Noncompliance material to financial statements noted? yes X no

Federal and DHS Awards

Internal control over major federal or DHS programs:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? X yes none reported

Type of auditor's report issued on compliance for major federal and DHS programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? X yes no

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grant
14.231	Emergency Solutions
93.778	Medical Assistance Program

Identification of major DHS programs:

<u>Name of DHS Program</u>
Child Support Enforcement

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? yes X no

County of Clinton, Pennsylvania

Schedule of Findings and Questioned Costs
Year Ended December 31, 2016

Section II - Financial Statement Findings

Finding/Noncompliance

2016-001 **Internal Control Over Financial Reporting –
Accounts Payable Sub-ledger Reconciliation to General Ledger –
Significant Deficiency**

Criteria: The general ledger is the official accounting record of the County and, as such, it is important that it be supported by underlying detail, including sub-ledgers for items such as accounts payable. The general ledger accounts payable account (or series of accounts) would indicate the total balance the County owes its vendors and creditors at any point in time, whereas the accounts payable sub-ledger would provide a detailed, vendor-by-vendor listing of each individual invoice comprising the total. This should be maintained on a fund-by-fund basis.

Condition/Context: The County has not implemented a process whereby its accounts payable sub-ledger is reconciled to its general ledger accounts payable balances on a periodic basis. As a result, certain unreconciled differences existed between the general ledger and the accounts payable sub-ledgers at December 31, 2016. The material differences were reconciled in connection with the audit process; however, certain less material differences remain.

Effect: The County cannot be certain that the balances in its accounts payable general ledger accounts are accurate at any given point in time, nor, by association, the balances within its modified accrual basis expenditure accounts affected by the accounts payable process.

Cause: Competing priorities within the finance department; the County has not made this accounts payable reconciliation process a priority.

Recommendation: We recommend that, similar to its bank reconciliation process, the County implement a formal reconciliation process whereby its accounts payable sub-ledgers are reconciled to the general ledger on a monthly basis, and that the reconciliations be reviewed and approved by a responsible official.

Views of Responsible Officials and Planned Corrective Actions: See corrective action plan.

County of Clinton, Pennsylvania

Schedule of Findings and Questioned Costs
Year Ended December 31, 2016

Finding/Noncompliance

2016-002 Internal Control over Financial Reporting - Controls over Cash Transactions - Significant Deficiency

Criteria: Internal control is a process that should capture and properly record transactions, safeguards assets, and assure compliance with laws and regulations.

Condition/Context: As part of our audit procedures designed to gain an understanding of the County's internal control system, we noted that, with regard to cash transactions, the following aspects of the existing system represent weaknesses in the County's internal control over financial reporting:

- Custody of checks after signature and before mailing should be handled by an employee independent of all payable, disbursing, receiving and general ledger functions;
- Reconciliation procedures for bank and other significant accounts, primarily related to County Row Offices, should be reviewed and approved (by initialing and dating the reconciliation) by an individual independent of all payable, disbursing, receiving, and general ledger functions; and,
- County Row Officers maintain numerous "agency fund" cash accounts, through which a significant volume of activity passes each year. Reconciliations for these cash accounts are not reviewed and approved by an appropriate individual, independent of all related cash receipt/disbursement functions.

Effect: Considering that transactions involving cash represent the predominant amount of activity within the County's general ledger, County management cannot be assured that misstatements are not occurring within the daily transactions and relied upon by management in its decision making processes.

Cause: There is currently no formal documentation or requirement that certain "best practices" be followed to adequately secure transactions to prevent or detect misstatements due to error or fraud.

Recommendation: We recommend that County management consider implementing steps to require appropriate review and approval of transactions and reconciliations to ensure the information used in making decisions is initiated, authorized, recorded, and processed reliably.

Views of Responsible Officials and Planned Corrective Actions: See corrective action plan.

County of Clinton, Pennsylvania

Schedule of Findings and Questioned Costs
Year Ended December 31, 2016

Section III – Federal Awards Findings and Questioned Costs

2016-003 **U.S. Department of Housing and Urban Development, Passed through the Pennsylvania Department of Community and Economic Development, CFDA No. 14.228, Community Development Block Grant, CFDA No. 14.231, Emergency Solutions Grant, and CFDA No. 93.778, Medical Assistance Program**

Criteria: The Uniform Guidance requires written policies and/or procedures in the areas of allowability of cost, cash management, procurement, subrecipient monitoring and conflict of interest.

Condition/Context: We noted during our audit of the County's Community Development Block Grant, Emergency Solutions Grant and Medical Assistance programs that the County had not implemented written policies and/or procedures in the areas of allowability of costs, cash management, procurement, or subrecipient monitoring.

Effect: The County's internal control over compliance is lacking in these areas.

Cause: These written requirements became effective for federal grants dated on or after December 26, 2014; during 2016, the County was still in the process of acclimating itself to these relatively new Uniform Guidance requirements.

Questioned Costs : There were no questioned costs associated with this finding.

Recommendation: We recommend that the County draft and adopt all of the written policies required by the Uniform Guidance, as applicable to its federal programs.

Views of Responsible Officials and Planned Corrective Actions: See corrective action plan.

County of Clinton, Pennsylvania

Summary Schedule of Prior Year Audit Findings
Year Ended December 31, 2016

2015-001 Internal Control over Financial Reporting - Non-attest Services (Audit Entries) - Material Weakness

Condition: In connection with our audit of your financial statements, you have also engaged us to perform certain non-attest services, subject to County supervision and approval, which included:

- Adjustment of Emergency 9-1-1 Fund capital assets, depreciation expense and contributed asset revenue
- Adjustment of Emergency 9-1-1 Fund long-term debt liability and expenses for principal payments
- Adjustment of General Fund accounts payable
- Adjustment of Capital Projects Fund proceeds from and payments to bond holders for County's 2015 refunding project

Recommendation: We recommend that management give consideration to prioritizing and performing the above tasks internally.

Resolution: No such significant audit adjustments were necessary during 2016; this finding is not repeated as a finding in 2016.

2015-002 Internal Control over Financial Reporting and Compliance - Accounts Payable Listing/Reconciliation - Material Weakness

Condition: The County does not reconcile each funds accounts payable account on the general ledger to a listing of open accounts payable on a periodic basis (accounts payable aging report). During the course of the audit, management adjusted its general ledger to agree to the detail aging report.

Recommendation: We recommend that the County implement a formal process requiring that a detailed (invoice level) listing of the open accounts payable invoices be periodically reconciled to the County's accounts payable general ledger account.

Resolution: This condition continued to exist during 2016 and is repeated as finding 2016-001.

County of Clinton, Pennsylvania

Summary Schedule of Prior Year Audit Findings
Year Ended December 31, 2016

Finding/Noncompliance

2015-003 Internal Control over Financial Reporting - Controls over Cash Transactions - Significant Deficiency

Condition: As part of our audit procedures designed to gain an understanding of the County's internal control system, we noted that with regard to cash transactions, the following aspects represent weaknesses in the County's internal control over financial reporting:

- Custody of checks after signature and before mailing should be handled by an employee independent of all payable, disbursing, receiving and general ledger functions;
- Reconciliation procedures for bank and other significant accounts, primarily related to County Row Offices, should be reviewed and approved (by initialing and dating the reconciliation) by an individual independent of all payable, disbursing, receiving, and general ledger functions; and,
- County Row Officers maintain numerous "agency fund" cash accounts, through which a significant volume of activity passes each year, for which reconciliations are not reviewed and approved by an appropriate individual independent of all related cash receipt/disbursement functions.

Recommendation: We recommend that County management consider implementing steps to require appropriate review and approval of transactions and reconciliations to ensure the information used in making decisions is initiated, authorized, recorded, and processed reliably.

Resolution : This condition continued to exist in 2016 and is repeated as current year finding 2016-002.

County of Clinton, Pennsylvania

Summary Schedule of Prior Year Audit Findings
Year Ended December 31, 2016

2015-004: CFDA No. 93.563, Child Support Enforcement

Condition/Context: During our allowable cost testing procedures, it was noted that the County was not able to provide documentation of actual hours spent on the individual grants to support the total expenditures submitted for reimbursement. Certain salary expenses that were reported were based on budgeted amounts as opposed to actual amounts.

Recommendation: We recommend that the County charge all of its salary costs based on actual time worked on each program, or at least perform a review and adjust the expenditures to actual time on a periodic basis during the year as opposed to solely charging based on budgeted costs.

Resolution: The County implemented procedures during 2016 whereby salary costs are based on actual time worked; this finding is considered closed.

Independent Accountants' Report on Applying Agreed-Upon Procedures

Board of Commissioners
County of Clinton, Pennsylvania
And Commonwealth of PA Department of Human Services

We have performed the procedures enumerated below, which were agreed to by the Commonwealth of Pennsylvania, Department of Human Services ("DHS") and management of the County of Clinton, Pennsylvania (the "County"), solely to assist you with respect to the financial schedules and exhibits required by the DHS *Single Audit Supplement* as of and for the year ended December 31, 2016. The County's management is responsible for the financial schedules and exhibits required by the DHS *Single Audit Supplement*. The sufficiency of these procedures is solely the responsibility of DHS and the County. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

- a. We have agreed by comparison of the amounts and classifications that the supplemental financial schedules listed below, which summarize amounts reported to DHS for the fiscal year ended June 30, 2016 and December 31, 2016, have been accurately compiled and reflect the audited books and records of the County. We also agreed by comparison to the example schedules that these schedules are presented, at a minimum, at the level of detail and in the format required by the DHS *Single Audit Supplement* pertaining to this period.

Program Name	Page Number	Exhibit Number	Schedule/Exhibit
Title IV-D Child Support Program	93	A-1	Comparison of Single Audit Expenditures with the Reported Expenditures
Title IV-D Child Support Program	94	A-1 (c)	Comparison of Reported Incentives to Incentives on Deposit
Title IV-D Child Support Program	95	A-1 (d)	Comparison of Single Audit Title IV-D Account with Reported Title IV-D Account

- b. We inquired of management regarding adjustments to reported revenues or expenditures, which were not reflected on reports submitted to DHS for the period reported upon.

We inquired of the Chief Clerk and respective program director(s) regarding any adjustments to reported revenues and expenditures for all reports. We also inquired of the Domestic Relations Director regarding the Title IV-D Child Support Enforcement Comparison of Single Audit Expenditures with Reported Expenditures.

- c. With regard to the Reconciliation Supplemental Financial Schedule (Exhibit XX on Page 96) (the "Reconciliation Schedule"), we have performed the following procedures:
 - a. We have agreed by comparison of amounts and classifications the expenditure amounts listed on the Reconciliation Schedule under the "Federal Expenditures per the SEFA" (Column C), which summarizes DHS federal expenditure amounts as of December 31, 2016, have been accurately compiled and reflect the audited books, records and SEFA of the County.
 - b. We have agreed by comparison of amounts and classifications the program receipt amounts listed on the Reconciliation Schedule under the "Federal Awards Received per the audit confirmation reply from Pennsylvania" (Column d), which summarizes DHS federal receipt amounts as of December 31, 2016, have been accurately compiled and reflect the audited books, records and SEFA of the County.
 - c. We have recalculated the dollar amount and percentage differences between the Federal Expenditures per the SEFA (Column C) and the Federal Awards Received per the Audit Confirmation reply from Pennsylvania (Column D) on the Reconciliation Schedule.
 - d. We have agreed by comparison to the audited books and records that the dollar amount differences (column E) between the expenditures (column C) and receipts (column D) on the Reconciliation Schedule accurately reflect the audited books and records of the County.
 - e. We have agreed by comparison to the audited books and records that the explanation of differences (column G) between the expenditures (column C) and receipts (column D) on the Reconciliation Schedule accurately reflect the audited books and records of the County.
- d. The procedures detailed in paragraphs (a), (b) and (c) above disclosed no adjustments or findings for the period reported upon.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the financial schedules and exhibits required by the DHS *Single Audit Supplement*. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Commonwealth of Pennsylvania, Department of Human Services and the management of the County of Clinton, Pennsylvania and is not intended to be and should not be used by anyone other than these specified parties

Baker Tilly Virchow Krause, LLP

Williamsport, Pennsylvania
September 27, 2017

County of Clinton, Pennsylvania

Title IV-D Child Support Program
 Comparison of Single Audit Expenditures with the Reported Expenditures
 Quarters in the Year Ended December 31, 2016
 Exhibit A-1

	Single Audit Expenditures					Reported Expenditures					Single Audit Over/(Under) Reported				
	Total	Unallowable	Incentive Paid Costs	Net	Amount Paid	Total	Unallowable	Incentive Paid Costs	Net	Amount Paid	Total	Unallowable	Incentive Paid Costs	Net	Amount Paid
Quarter Ended March 31, 2016															
Salary/overhead (excluding blood tests)	\$ 184,375	\$ 7,622	\$ -	\$ 176,753	\$ 116,657	\$ 184,375	\$ 7,622	\$ -	\$ 176,753	\$ 116,657	\$ -	\$ -	\$ -	\$ -	\$ -
Fees/costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest/program income	931	38	-	893	589	931	38	-	893	589	-	-	-	-	-
Genetic testing fees	333	-	-	333	220	333	-	-	333	220	-	-	-	-	-
Subtotal	183,111	7,584	-	175,527	115,848	183,111	7,584	-	175,527	115,848	-	-	-	-	-
Genetic testing costs	323	-	-	323	213	323	-	-	323	213	-	-	-	-	-
ADP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	\$ 183,434	\$ 7,584	\$ -	\$ 175,850	\$ 116,061	\$ 183,434	\$ 7,584	\$ -	\$ 175,850	\$ 116,061	\$ -	\$ -	\$ -	\$ -	\$ -
Quarter Ended June 30, 2016															
Salary/overhead (excluding blood tests)	\$ 163,794	\$ 6,431	\$ 4,767	\$ 152,596	\$ 100,713	\$ 163,794	\$ 6,431	\$ 4,767	\$ 152,596	\$ 100,713	\$ -	\$ -	\$ -	\$ -	\$ -
Fees/costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest/program income	1,010	39	-	971	641	1,010	39	-	971	641	-	-	-	-	-
Genetic testing fees	173	-	-	173	114	173	-	-	173	114	-	-	-	-	-
Subtotal	162,611	6,392	4,767	151,452	99,958	162,611	6,392	4,767	151,452	99,958	-	-	-	-	-
Genetic testing costs	303	-	-	303	200	303	-	-	303	200	-	-	-	-	-
ADP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	\$ 162,914	\$ 6,392	\$ 4,767	\$ 151,755	\$ 100,158	\$ 162,914	\$ 6,392	\$ 4,767	\$ 151,755	\$ 100,158	\$ -	\$ -	\$ -	\$ -	\$ -
Quarter Ended September 30, 2016															
Salary/overhead (excluding blood tests)	\$ 191,827	\$ 6,948	\$ 9,902	\$ 174,977	\$ 115,485	\$ 191,827	\$ 6,948	\$ 9,902	\$ 174,977	\$ 115,485	\$ -	\$ -	\$ -	\$ -	\$ -
Fees/costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest/program income	745	27	-	718	474	745	27	-	718	474	-	-	-	-	-
Genetic testing fees	57	-	-	57	38	57	-	-	57	38	-	-	-	-	-
Subtotal	191,025	6,921	9,902	174,202	114,973	191,025	6,921	9,902	174,202	114,973	-	-	-	-	-
Genetic testing costs	114	-	-	114	75	114	-	-	114	75	-	-	-	-	-
ADP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	\$ 191,139	\$ 6,921	\$ 9,902	\$ 174,316	\$ 115,048	\$ 191,139	\$ 6,921	\$ 9,902	\$ 174,316	\$ 115,048	\$ -	\$ -	\$ -	\$ -	\$ -
Quarter Ended December 31, 2016															
Salary/overhead (excluding blood tests)	\$ 185,182	\$ 6,324	\$ 1,349	\$ 177,509	\$ 117,156	\$ 185,182	\$ 6,324	\$ 1,349	\$ 177,509	\$ 117,156	\$ -	\$ -	\$ -	\$ -	\$ -
Fees/costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest/program income	1,075	37	-	1,038	685	1,075	37	-	1,038	685	-	-	-	-	-
Genetic testing fees	127	-	-	127	84	127	-	-	127	84	-	-	-	-	-
Subtotal	183,980	6,287	1,349	176,344	116,387	183,980	6,287	1,349	176,344	116,387	-	-	-	-	-
Genetic testing costs	209	-	-	209	138	209	-	-	209	138	-	-	-	-	-
ADP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	\$ 184,189	\$ 6,287	\$ 1,349	\$ 176,553	\$ 116,525	\$ 184,189	\$ 6,287	\$ 1,349	\$ 176,553	\$ 116,525	\$ -	\$ -	\$ -	\$ -	\$ -

County of Clinton, Pennsylvania

Title IV-D Child Support Program

**CHILD SUPPORT ENFORCEMENT
COMPARISON OF REPORTED INCENTIVES TO INCENTIVES ON DEPOSIT**

EXHIBIT A-1 (c)

County Clinton, Pennsylvania

Year Ended December 31, 2016

Month	MSE Incentive Paid Cost Worksheet Ending Incentive Balance	Audited Title IV-D Account Incentive Balance	Type of Account Structure
January 1	\$ 1,020,215	\$ 1,020,215	<input checked="" type="checkbox"/> Separate Bank Account <input type="checkbox"/> Restricted Fund - General Ledger <input type="checkbox"/> Other: _____
March 31	\$ 1,049,338	\$ 1,049,338	
June 30	\$ 1,059,273	\$ 1,059,273	
September 30	\$ 1,064,847	\$ 1,064,847	
December 31	\$ 1,077,358	\$ 1,077,358	

Note: Do not include income received from interest or Medical Incentives.

**CHILD SUPPORT ENFORCEMENT
COMPARISON OF SINGLE AUDIT TITLE IV-D ACCOUNT WITH REPORTED TITLE IV-D ACCOUNT**

County Clinton, Pennsylvania Year Ended December 31, 2016

	Single Audit TITLE IV-D Account	Reported TITLE IV-D Account	Single Audit Over/(Under) Reported
Balance at January 1	\$ 1,273,485	\$ 1,273,485	\$ -
Receipts:			
Reimbursements	455,146	455,146	-
Incentives	73,160	73,160	-
Title XIX Incentives			-
Interest	2,996	2,996	-
Program Income			-
Genetic Testing Costs			-
Maintenance of Effort (MOE)			-
Other: <u> _DRO Court Costs_____</u>			-
Total Receipts	\$ 531,302	\$ 531,302	\$ -
Intra-fund Transfers - In	73,160	73,160	-
Funds Available	\$ 1,877,947	\$ 1,877,947	\$ -
Disbursements:			
Incentive Paid Costs	16,018	16,018	-
Transfers to General Fund	421,906	421,906	-
Vendor Payments			-
Bank Charges			-
Other:			-
Total Disbursements	\$ 437,924	\$ 437,924	\$ -
Intra-fund Transfers - Out	73,160	73,160	-
Balance at December 31	\$ 1,366,863	\$ 1,366,863	\$ -

The Title IV-D account consists of one checking account and one savings account.

County of Clinton, Pennsylvania

Reconciliation Supplemental Financial Schedule
Year Ended December 31, 2016

**Reconciliation
Federal Awards Passed through the Pennsylvania Department of Human Services
Expenditures per the SEFA to Revenue Received per the Pennsylvania Audit Confirmation Reply**

CFDA Name (a)	CFDA Number (b)	Federal Expenditures per the SEFA (c)	Federal Awards Received per the Audit Confirmation Reply from Pennsylvania (d)	Difference (e)	% Difference (f)	Detailed Explanation of the Differences (g)
Guardianship Assistance	93.090	\$ 55,090	\$ 66,317	\$ (11,227)	-16.93%	Change in accounts receivable \$11,197 with a \$30 minor difference
Promoting Safe and Stable Families	93.556	2,060	2,060	-	0.00%	Matches
Temporary Assistance for Needy Families	93.558	102,376	83,548	18,828	22.54%	Change in accounts receivable \$4,940 also \$23,768 was receipted in 2016 by County but included in the Commonwealth's 2015 confirmation
Child Support Enforcement - Title IV-D	93.563	447,792	395,298	52,494	13.28%	Change in accounts receivable \$7,354 also \$59,848 was receipted in 2016 by County but included in the Commonwealth's 2015 confirmation
Stephanie Tubbs Jones Child Welfare Services Program - Title IV-B	93.645	71,065	71,065	-	0.00%	Matches
Foster Care - Title IV-E	93.658	374,675	420,124	(45,449)	-10.82%	Change in accounts receivable \$136,460 also \$93,925 was receipted in 2016 by County but included in the Commonwealth's 2015 confirmation remaining immaterial difference of \$2,914
Foster Care - Title IV-E Adoption Assistance	93.659	218,608	217,511	1,097	0.50%	Change in accounts receivable \$51,858 also \$53,463 was receipted in 2016 by County but included in the Commonwealth's 2015 confirmation remaining immaterial difference of \$508
Social Services Block Grant	93.667	20,538	20,539	(1)	0.00%	Rounding
Chafee Foster Care Independence Program	93.674	20,288	20,288	-	0.00%	Matches
Medicaid - Title XIX	93.778	510,409	356,823	153,586	43.04%	Change in accounts receivable \$153,586
		<u>\$ 1,822,901</u>	<u>\$ 1,653,573</u>	<u>\$ 169,328</u>	<u>10.24%</u>	