

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

**Financial Statements and Supplemental Schedules
Together with Reports of Independent Public Accountants**

For the Year Ended December 31, 2017



DECEMBER 31, 2017

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

County Commissioners of Northumberland County
Sunbury, Pennsylvania

Report on the Financial Statements

We have jointly audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Northumberland County, Pennsylvania (the County), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Conservation District, which represent 100% of the assets, net position, and revenue of that discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the component unit presentation of the Conservation District, is based on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of the 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 activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis, schedules of net pension liability, pension contributions, funding progress, employer contributions for the Employees Retirement Trust Fund and Retiree Health and Welfare Benefit Plan, and budgetary comparison information, as listed in the accompanying table of contents 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 and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County’s basic financial statements. The accompanying combining and individual fund statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

SB & Company, LLC

Harrisburg, Pennsylvania
September 25, 2018

Klacik & Associates, P.C.

Shamokin, Pennsylvania
September 25, 2018

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

Management's Discussion and Analysis December 31, 2017

This management's discussion and analysis of Northumberland County's (County) financial statements is designed to introduce the basic financial statements and provide an analytical overview of the County's financial activities for the fiscal year ended December 31, 2017. The basic financial statements are comprised of the government-wide financial statements, fund financial statements, and notes to the financial statements. We hope this, in conjunction with additional information provided within the financial statements, will assist readers in identifying significant financial issues and changes in the County's financial position.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements are comprised of three components: **1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.** This report also contains **4) supplementary information** in addition to the basic financial statements themselves.

1) Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private business. The government-wide financial statements include a *statement of net position* and a *statement of activities*.

- The *statement of net position* presents information on the County's entire assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.
- The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of these financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) and activities from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

- The *governmental activities* of the County include education, general government, parks and recreation, public safety, courts, health and social services, and highway maintenance.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

Management's Discussion and Analysis December 31, 2017

1) *Government-wide Financial Statements* (continued)

- The *business-type activities* of the County include an internal service fund.

The government-wide financial statements include not only the County itself (known as the primary government), but also include the Northumberland County Conservation District and Industrial Development Authority as a legally separate component unit and is reported separately from financial information presented for the primary government itself.

2) *Fund Financial Statements*

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: *governmental*, *proprietary*, or *fiduciary*.

- ***Governmental Funds***. Governmental funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains twenty one individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General, Behavioral Health and Intellectual Developmental Services, Children and Youth, Debt Service, Act 35, Domestic Relations, Planning, Liquid Fuels, Weatherization, Adult Service, Emergency Management, Planning, Area Agency on Aging, Drugs and Alcohol, Juvenile Court, Affordable Housing, Records Improvement, Capital Projects, Emergency 911 Fund, Inmate Fund and Northumberland County Authority funds.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

Management's Discussion and Analysis December 31, 2017

2) *Fund Financial Statements* (continued)

The County adopts an annual appropriated budget for all of its governmental fund budgets.

- ***Proprietary Funds.*** When the County charges customers for a service it provides, whether to outside customers or to other units of government, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net position and the statement of activities. Proprietary funds are comprised of two types: 1) *Enterprise funds* and 2) *Internal service funds*. The County does not utilize enterprise funds. Internal service funds are used to report an activity that provides supplies and services for the government's other programs and activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

- ***Fiduciary Funds.*** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is similar to proprietary funds.

3) *Notes to the Financial Statements*

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

4) *Supplementary Information*

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's progress in funding its obligation to provide pension benefits to its employees and includes budgetary comparison schedules for the general, community partnership and highway funds.

In addition to this MD&A, required supplementary information can be found on page 55-57 and 65-67 of this report.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

Management's Discussion and Analysis December 31, 2017

Financial Analysis on Government-Wide Financial Statements

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$13.4 million as of the close of the most recent fiscal year.

	<u>Governmental Activities</u>		<u>Change</u>	<u>% Change</u>
	<u>2017</u>	<u>2016</u>		
Current and other assets	\$ 38,132,275	\$ 16,041,869	\$ 22,090,406	137.7%
Capital assets	51,152,379	39,768,268	11,384,111	28.6%
Total assets	<u>89,284,654</u>	<u>55,810,137</u>		
Deferred outflows- pensions	-	3,326,807	(3,326,807)	100.0%
Other liabilities	6,474,185	4,920,280	1,553,905	31.6%
Long-term liabilities outstanding	66,859,408	42,691,820	24,167,588	56.6%
Total liabilities	<u>73,333,593</u>	<u>47,612,100</u>		
Deferred inflows- pensions	<u>2,547,322</u>	<u>1,029,678</u>	1,517,644	100.0%
Net position:				
Net investment in capital assets	11,603,620	14,153,423	(2,549,803)	-18.0%
Restricted	30,541,427	12,732,189	17,809,238	139.9%
Unrestricted	(28,741,308)	(16,390,446)	(12,350,862)	75.4%
Total net position	<u>\$ 13,403,739</u>	<u>\$ 10,495,166</u>		

The largest portion of the County's net position reflects its investments in capital assets (e.g., land, roads, and bridges) of \$51.2 million; less related outstanding net debt used to acquire those assets in the amount of \$39.6 million. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the County's net position (\$30.6 million) represent resources that are subject to external restrictions on how they may be used. The remaining unrestricted net position deficit of \$28.7 million represents liabilities that will be funded with future revenue streams.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

Management's Discussion and Analysis December 31, 2017

Current assets increased by \$22.1 million during the year ended December 31, 2017 as a result of the \$31 million debt offering to fund capital assets and replace previous current assets used to pay capital assets. Capital assets increased as a result of additions offset by depreciation. Long term liabilities decreased as a result of the decrease in the net pension liability and payoff of certain debt and by scheduled payments on outstanding debt. Other liabilities decreased as a result of payments made on such items.

	<u>Governmental Activities</u>		<u>Change</u>	<u>% Change</u>
	<u>2017</u>	<u>2016</u>		
Revenue				
Program revenue:				
Charges for current services	\$ 6,332,277	\$ 10,147,809	\$ (3,815,532)	-37.6%
Operating grants and contributions	30,564,801	28,941,257	1,623,544	5.6%
General revenue:				
Property taxes	20,678,167	20,901,519	(223,352)	-1.1%
Other	1,191,494	271,455	920,039	338.9%
Total revenue	<u>58,766,739</u>	<u>60,262,040</u>		
Expenses				
General activities	5,204,748	16,728,678	(11,523,930)	-68.9%
Judicial and Public Safety	17,977,444	10,113,653	7,863,791	77.8%
Public works	473,740	1,131,748	(658,008)	-58.1%
Human services	29,627,222	28,500,420	1,126,802	4.0%
Conservation and development	1,159,607	924,654	234,953	25.4%
Debt service	1,415,405	1,146,502	268,903	23.5%
Total expenses	<u>55,858,166</u>	<u>58,545,655</u>		
Change in net position	2,908,573	1,716,385		
Net position - prior year	<u>10,495,166</u>	<u>8,778,781</u>		
Net position - current year	<u>\$ 13,403,739</u>	<u>\$ 10,495,166</u>		

The County's total net position increased by \$2.9 million during the year ended December 31, 2017. Total net position as of December 31, 2017 was \$13.4 million.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

Management's Discussion and Analysis December 31, 2017

Governmental Activities (government-wide) – Change in Net Position:

Net position in governmental activities increased by \$2.9 million. Key factors in this increase are as follows:

- ❑ Total revenue decreased by \$1.3 million during the year. This is primary driven by decreases in charges for services offset by increase in other revenue amounts.
- ❑ Total expenses decreased by \$2.8 primarily as a result of changes to deferred outflows related to pension related items associated with GASB 68 pension reporting.

The County uses fund accounting to ensure and demonstrate compliance with finance related legal requirements and restrictions, and fiscal accountability.

Governmental Funds:

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

As of the end of the current fiscal year, the County's governmental funds reported combined fund balances of \$29.4 million, an increase of \$21.2 million in comparison with the prior year. This increase is largely caused by a debt offering. Approximately \$26.9 million of this amount is restricted for program purposes.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

Management's Discussion and Analysis December 31, 2017

Shown below are the fund balance and net changes in fund balance for each fund.

Fund	Fund Balance		% Change	Change in Fund Balance		
	2017	2016		2017	2016	% Change
General	\$ 3,062,380	\$ 5,082,631	-39.7%	\$ (2,020,251)	\$ 1,338,135	-251.0%
BHIDS	10,681	10,681	0.0%	-	-	100.0%
Children and youth	-	-	0.0%	-	-	0.0%
Capital projects	(447,574)	(6,186,136)	-92.8%	5,738,562	(10,925,382)	-152.5%
Act 35	196,456	239,292	-17.9%	(42,836)	30,321	-241.3%
Domestic relations	-	-	0.0%	-	-	0.0%
Liquid fuels	2,717,937	2,252,085	0.0%	465,852	(2,168,500)	-121.5%
Weatherization	-	-	0.0%	-	-	0.0%
Adult services	8,170	5,657	44.4%	2,513	19	13126.3%
Emergency management	28,868	57,113	-49.5%	(28,245)	10,259	-375.3%
Planning	-	-	0.0%	-	-	0.0%
Area agency on aging	178,657	348,550	-48.7%	(169,893)	33,932	-600.7%
Drugs and alcohol	159,991	130,999	22.1%	28,992	13,072	121.8%
Affordable housing	172,345	1,685,656	-89.8%	(1,513,311)	2,117	-71583.8%
Record improvements	218,258	189,781	15.0%	28,477	(7,873)	-461.7%
Debt service	23,147,757	5,958,662	288.5%	17,189,095	5,052,420	240.2%
Juvenile courts	-	-	0.0%	-	-	0.0%
Emergency 911 fund	-	-	0.0%	-	-	0.0%
Northumberland county authority	(142,336)	(136,841)	4.0%	(5,495)	4,300	-227.8%
Prison inmates	89,182	89,987	-0.9%	(805)	(223)	261.0%

Original Budget vs. Final Budget:

There were no significant differences in budgets made during the 2017 year.

Final Budget vs. Actual Results:

Final actual results yielded an approximate \$2.0 million decrease. Revenue was over by \$0.8 million as a result of unbudgeted revenue related to additional contributions from the prison fire and proceeds from long term debt related to a building purchase. Expenditures were over budget by \$0.6 million and transfers above budget by \$1.3 million as a result of the fire and purchase of the building.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

Management's Discussion and Analysis December 31, 2017

Capital Asset Administration – Government Wide Statements

The County's investment in capital assets for its governmental activities as of December 31, 2017, amounts to \$51.2 million (net of depreciation). This investment in capital assets includes land, buildings, bridges, roads, equipment, and operational facilities.

	<u>2017</u>	<u>2016</u>
Land	\$ 225,874	\$ 697,974
Construction in progress	22,722,544	12,037,175
Buildings and Improvements	9,293,946	8,675,521
Infrastructure	6,807,886	7,057,143
Machinery, Equipment, and Vehicles	<u>12,102,129</u>	<u>11,300,455</u>
Total	<u>\$ 51,152,379</u>	<u>\$ 39,768,268</u>

Additional information on the County's capital assets can be found in Note 5 of this report.

Debt Administration

At the end of the current fiscal year, the County had total outstanding debt of approximately \$61.75 million. This amount was comprised of debt backed by the full faith and credit of the County and user fees. The County's outstanding debt increased by \$30.2 million during the current fiscal year as a result of new debt issuances offset by regularly scheduled principal payments and payoff of a capital lease.

Additional Information on the County's long-term debt can be found in Note 6 of this report.

Economic Factors and Fiscal Year 2018

The economic outlook of the County is closely tied to the State of Pennsylvania. As the overall economy continues a slow recovery from the recession, the County will continue to face a number of financial constraints as it balances the need to provide services with the related costs of such services.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

Management's Discussion and Analysis December 31, 2017

Requests for Information

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Controller's Office, Northumberland County Administration Center 399 South 5th Street, Sunbury, Pennsylvania 17801.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

**Statement of Net Position
As of December 31, 2017**

	Primary Government	Component Units		
	Governmental Activities	Conservation District	Industrial Development Authority	Anthracite Outdoor Adventure Area Authority
ASSETS:				
Cash and cash equivalents	\$ 30,662,531	\$ 919,736	\$ 411,296	\$ 324,301
Receivables, net:				
Taxes	3,316,065	-	-	-
Due from other governments	3,590,058	-	-	-
Other	512,612	-	10,000	-
Other assets	51,009	-	-	-
Total current assets	<u>38,132,275</u>	<u>919,736</u>	<u>421,296</u>	<u>324,301</u>
Long-term loan receivable	-	-	69,780	-
Capital Assets:				
Land and improvements not being depreciated	225,874	-	-	-
Construction in progress	22,722,544	-	-	-
Infrastructure and infrastructure in progress	11,801,895	-	-	-
Buildings	17,580,130	-	-	-
Equipment and furniture	23,784,705	213,259	-	-
Less: accumulated depreciation	(24,962,769)	(107,516)	-	-
Total capital assets	<u>51,152,379</u>	<u>105,743</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>89,284,654</u>	<u>1,025,479</u>	<u>491,076</u>	<u>324,301</u>
LIABILITIES:				
Accounts payable and accrued expenses	5,387,464	1,619	-	6,038
Due to other governmental agencies	350,153	-	-	-
Unearned income	736,568	-	-	-
Long-Term Liabilities:				
Due within one year:				
Bonds	2,844,643	-	-	227,767
Due in more than one year:				
Bonds	58,905,418	-	-	-
Compensated absences	1,250,936	-	-	-
Net pension liability	2,902,182	-	-	-
Other postemployment benefit obligation	797,753	-	-	-
Claims and judgments	158,476	-	-	-
TOTAL LIABILITIES	<u>73,333,593</u>	<u>1,619</u>	<u>-</u>	<u>233,805</u>
DEFERRED INFLOWS OF RESOURCES-				
Pension activity	<u>2,547,322</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION:				
Net investment in capital assets	11,603,620	105,743	-	-
Restricted for:				
Debt service	26,844,592	-	-	-
Program purposes	3,696,835	587,388	-	-
Unrestricted	(28,741,308)	330,729	491,076	90,496
TOTAL NET POSITION	<u>\$ 13,403,739</u>	<u>\$ 1,023,860</u>	<u>\$ 491,076</u>	<u>\$ 90,496</u>

The accompanying notes are an integral part of this financial statement.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

**Statement of Activities
For the Year Ended December 31, 2017**

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Units		
					Governmental Activities	Conservation District	Industrial Development Authority	Anthracite Outdoor Adventure Area Authority
PRIMARY GOVERNMENT:								
Governmental activities:								
General activities	\$ 5,204,748	\$ 2,793,181	\$ 2,353,478	\$ -	\$ (58,089)	\$ -	\$ -	\$ -
Judicial	13,505,728	2,430,849	649,558	-	(10,425,321)	-	-	-
Public safety	4,471,716	116,496	1,647,974	-	(2,707,246)	-	-	-
Public works	473,740	250,691	723,013	-	499,964	-	-	-
Human services	29,627,222	680,273	25,190,778	-	(3,756,171)	-	-	-
Conservation and development	1,159,607	60,787	-	-	(1,098,820)	-	-	-
Debt service	1,415,405	-	-	-	(1,415,405)	-	-	-
Total primary government	55,858,166	6,332,277	30,564,801	-	(18,961,088)	-	-	-
COMPONENT UNITS								
Anthracite Outdoor Adventure Area Authority	795,596	520,385	221,023	-	-	-	-	(54,188)
Conservation district	735,132	53,627	910,096	-	-	228,591	-	-
Industrial development authority	188,541	12,290	-	-	-	-	(176,251)	-
Total Component Units	\$ 1,719,269	\$ 586,302	\$ 1,131,119	\$ -	-	228,591	(176,251)	(54,188)
GENERAL REVENUES:								
Taxes:								
Property taxes					20,678,167	-	-	-
Unrestricted investment earnings					274,003	2,587	-	-
Miscellaneous					917,491	5,831	-	58,501
Total general revenues and transfers					21,869,661	8,418	-	58,501
Change in net position					2,908,573	237,009	(176,251)	4,313
Net position, beginning					10,495,166	786,851	667,327	86,183
Net position, ending					\$ 13,403,739	\$ 1,023,860	\$ 491,076	\$ 90,496

The accompanying notes are an integral part of this financial statement.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

**Balance Sheet- Governmental Funds
As of December 31, 2017**

	GENERAL FUND	BHIDS	CHILDREN & YOUTH	CAPITAL PROJECTS	DEBT SERVICE	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS:							
Cash and cash equivalents	\$ 3,972,502	\$ 1,005,982	\$ 3,324	\$ 1,133,206	\$ 19,831,302	\$ 4,171,888	\$ 30,118,204
Taxes receivable, net	2,613,291	-	-	-	702,774	-	3,316,065
Due from other funds	1,879,600	108,520	-	-	3,109,000	30,047	5,127,167
Receivable from other governments	361,005	320,898	1,490,639	-	-	1,417,516	3,590,058
Other receivables	355,918	49,947	20,088	-	2,615	84,044	512,612
Other assets	17,831	5,069	-	-	-	28,109	51,009
TOTAL ASSETS	9,200,147	1,490,416	1,514,051	1,133,206	23,645,691	5,731,604	42,715,115
LIABILITIES							
Accounts payable	747,968	862,538	556,256	1,580,780	5	608,399	4,355,946
Due to other funds	3,310,973	3,732	878,663	-	-	933,799	5,127,167
Payable to other governments	-	-	-	-	-	350,153	350,153
Unearned revenue	60,490	562,330	22,600	-	-	91,148	736,568
Other accrued expenses	159,300	51,135	56,532	-	-	120,577	387,544
Total liabilities	4,278,731	1,479,735	1,514,051	1,580,780	5	2,104,076	10,957,378
DEFERRED INFLOW OF RESOURCES							
Unavailable revenue	1,859,036	-	-	-	497,929	-	2,356,965
Fund balances:							
Restricted	58,626	10,681	-	-	23,147,757	3,627,528	26,844,592
Committed	2,000,000	-	-	-	-	-	2,000,000
Assigned	-	-	-	-	-	-	-
Unassigned	1,003,754	-	-	(447,574)	-	-	556,180
Total fund balances	3,062,380	10,681	-	(447,574)	23,147,757	3,627,528	29,400,772
TOTAL LIABILITIES AND FUND BALANCE	\$ 9,200,147	\$ 1,490,416	\$ 1,514,051	\$ 1,133,206	\$ 23,645,691	\$ 5,731,604	\$ 42,715,115

The accompanying notes are an integral part of this financial statement.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

Reconciliation of the Balance Sheet- Governmental Funds to the Statement of Net Position As of December 31, 2017

Total Fund Balance, Governmental Funds \$ 29,400,772

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 51,152,379

Some of the County's taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are not reported as deferred revenue in the funds 2,356,965

The assets and liabilities of certain internal service funds are not included in the fund financial statements, but are included in the governmental activities of the statement of net position 332,836

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 the 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 as of December 31, 2016 are:

Accrued expenses	\$ (590,959)	
Bonds	(61,750,061)	
Compensated absences	(1,250,936)	
Deferred outflows/(inflows) related to pensions	(2,547,322)	
Net pension liability	(2,902,182)	
Other postemployment benefit obligation	<u>(797,753)</u>	
		<u>(69,839,213)</u>

Net position of governmental activities in the statement of net position \$ 13,403,739

The accompanying notes are an integral part of this financial statement.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

**Statement of Revenue, Expenditures, and Changes in Fund Balances- Governmental Funds
For the Year Ended December 31, 2017**

	GENERAL FUND	BHIDS	CHILDREN & YOUTH	CAPITAL PROJECTS	DEBT SERVICE	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:							
Taxes	\$ 16,353,264	\$ -	\$ -	\$ -	\$ 4,375,453	\$ -	\$ 20,728,717
Fees and fines	-	-	-	-	-	29,313	29,313
Intergovernmental	727,551	9,841,704	9,112,175	-	-	10,883,371	30,564,801
Charges for services	3,543,964	145,307	310,870	-	-	2,231,476	6,231,617
Investment earnings	126,315	4,396	-	614	127,145	15,533	274,003
Miscellaneous	844,813	24,572	2,778	-	-	45,328	917,491
Total Revenues	21,595,907	10,015,979	9,425,823	614	4,502,598	13,205,021	58,745,942
EXPENDITURES:							
Current:							
General government	4,889,494	-	-	-	584,109	16,140	5,489,743
Judicial:							
Jail	7,062,020	-	-	-	-	-	7,062,020
Other	5,211,701	-	-	-	-	2,237,768	7,449,469
Public safety	1,752,701	-	-	-	-	2,535,541	4,288,242
Human services	149,987	10,362,539	11,043,808	-	-	7,796,347	29,352,681
Public works	-	-	-	-	-	277,590	277,590
Conservation and development	252,509	-	-	-	-	907,098	1,159,607
Capital outlay	-	-	-	11,607,404	-	-	11,607,404
Debt service:							
Principal	-	-	-	-	4,001,464	1,150,487	5,151,951
Interest and other charges	-	-	-	-	777,945	334,902	1,112,847
Total Expenditures	19,318,412	10,362,539	11,043,808	11,607,404	5,363,518	15,255,873	72,951,554
Excess (deficiency) of revenues over expenditures	2,277,495	(346,560)	(1,617,985)	(11,606,790)	(860,920)	(2,050,852)	(14,205,612)
OTHER FINANCING SOURCES (USES):							
Proceeds from issuance of long-term debt	-	-	-	-	35,395,367	-	35,395,367
Transfers in	24,320	386,560	1,617,985	17,345,352	-	2,357,520	21,731,737
Transfers out	(4,322,066)	(40,000)	-	-	(17,345,352)	(24,319)	(21,731,737)
Total other financing sources and uses	(4,297,746)	346,560	1,617,985	17,345,352	18,050,015	2,333,201	35,395,367
NET CHANGE IN FUND BALANCES	(2,020,251)	-	-	5,738,562	17,189,095	282,349	21,189,755
FUND BALANCES, BEGINNING	5,082,631	10,681	-	(6,186,136)	5,958,662	3,345,179	8,211,017
FUND BALANCES, ENDING	\$ 3,062,380	\$ 10,681	\$ -	\$ (447,574)	\$ 23,147,757	\$ 3,627,528	\$ 29,400,772

The accompanying notes are an integral part of this financial statement.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances- of Governmental Funds to the Statement of Activities For the Year Ended December 31, 2017

Net changes in fund balances, total governmental funds \$ 21,189,755

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. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

Depreciation expense	\$ (2,500,022)	
Capital outlay	<u>13,894,659</u>	11,394,637

Under the modified accrual basis of accounting used in governmental funds, revenues are not reported until they become available. In the Statement of Activities, however, revenues are recorded regardless of when financial resources are available. (50,550)

Governmental funds report debt and capital lease proceeds as an other financing source. The Statement of Activities treats such issuance of debt as a liability. (35,395,367)

Governmental funds report repayment of bond and capital lease principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long term liabilities. 5,150,151

Pension and other post employment benefit (OPEB) expense reported in the Statement of Activities is recognized on the accrual basis. The net pension liability and OPEB obligation is adjusted for any difference between years and OPEB expenses and contributions made in relation to the annual determined contribution and recordation of related deferred outflows and inflows. 943,030

The County uses an Internal Service Fund to charge the costs for workers' compensation. The net income related to this activity is reported with the governmental activities. 71,347

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather as it accrues. This adjustment combines the net changes of the following balances:

Compensated absences	\$ (91,872)	
Change in accrued expenses	<u>(302,558)</u>	<u>(394,430)</u>

Change in net position of governmental activities \$ 2,908,573

The accompanying notes are an integral part of this financial statement.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

**Statement of Net Position- Proprietary Fund
For the Year Ended December 31, 2017**

	<u>INTERNAL SERVICE FUND</u>
ASSETS:	
Current Assets:	
Cash and cash equivalents	\$ <u>544,327</u>
LIABILITIES	
Current Liabilities:	
Accounts payable and current claims and judgements	53,015
Non-current liabilities:	
Claims and judgments	<u>158,476</u>
Total liabilities	<u>211,491</u>
NET POSITION:	
Unrestricted	<u><u>\$ 332,836</u></u>

The accompanying notes are an integral part of this financial statement.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

**Statement of Revenue, Expenses, and Changes in Net Position- Proprietary Fund
For the Year Ended December 31, 2017**

	<u>INTERNAL SERVICE FUND</u>
OPERATING REVENUE:	
Total operating revenue	<u>\$ 306,093</u>
OPERATING EXPENSES:	
Insurance claims and expenses	<u> 186,768</u>
OPERATING INCOME	<u> 119,325</u>
NON-OPERATING REVENUES (EXPENSES):	
Transfer to general fund	(53,015)
Interest and investment revenue	<u> 5,037</u>
CHANGE IN NET POSITION	71,347
TOTAL NET POSITION, Beginning	<u> 261,489</u>
TOTAL NET POSITION, Ending	<u><u>\$ 332,836</u></u>

The accompanying notes are an integral part of this financial statement.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

**Statement of Cash Flows- Proprietary Fund
For the Year Ended December 31, 2017**

	<u>INTERNAL SERVICE FUND</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Claims activity	\$ (13,448)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES,	
Transfer to general fund	(53,015)
CASH FLOWS FROM INVESTING ACTIVITIES,	
Interest income	5,037
INCREASE IN CASH AND CASH EQUIVALENTS	(61,426)
CASH AND CASH EQUIVALENTS, BEGINNING	605,753
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 544,327</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH FROM OPERATING ACTIVITIES:	
Operating income	\$ 119,325
Adjustments to reconcile operating loss to net cash from operating activities:	
Effect of changes in non-cash operating assets and liabilities:	
Accounts payable	2,544
Claims and judgements	(135,317)
NET CASH FROM OPERATING ACTIVITIES	<u>\$ (13,448)</u>

The accompanying notes are an integral part of this financial statement.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

**Statement of Changes in Fiduciary Net Position- Fiduciary Fund
For the Year Ended December 31, 2017**

	PENSION TRUST FUND EMPLOYEE BENEFIT PLAN
ADDITIONS:	
Contributions:	
Plan members	\$ 1,099,322
Employer	1,970,215
Total contributions	<u>3,069,537</u>
Investment earnings:	
Net appreciation in fair value of investments	9,987,780
Interest and dividends	1,956,949
Total investment earnings	<u>11,944,729</u>
Less: investment expense	(341,750)
Total net investment earnings	<u>11,602,979</u>
Total additions	<u>14,672,516</u>
DEDUCTIONS:	
Benefits	6,558,158
Administrative expenses	104,382
Total deductions	<u>6,662,540</u>
CHANGE IN NET POSITION	8,009,976
FIDUCIARY NET POSITION, BEGINNING OF YEAR	<u>78,351,618</u>
FIDUCIARY NET POSITION, END OF YEAR	<u><u>\$ 86,361,594</u></u>

The accompanying notes are an integral part of this financial statement.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

Notes to the Financial Statements December 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting methods and procedures adopted by the County of Northumberland, Pennsylvania (the “County”) conform to accounting principles generally accepted in the United States of America as applied to governmental entities. The following notes to the financial statements are an integral part of the County’s financial statements:

REPORTING ENTITY

The County of Northumberland is a fifth-class county formed on March 21, 1772. The County operates under the direction of an elected Board of Commissioners, and provides the following services: administrative services, tax assessment and collections, judicial, public improvements, public safety, conservation and development, and human service programs.

The County follows the criteria promulgated by the Governmental Accounting Standards Board (“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 accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the County (the primary government) and its component units. The component units, discussed below, are included in the County’s financial reporting entity because of the significance of their operational or financial relationships with the County:

- Northumberland County Authority (the “County Authority,” a public finance authority, included as a blended component unit in the accompanying financial statements);
- Northumberland County Conservation District (the “Conservation District”) (a Pennsylvania conservation district, discretely presented within the accompanying financial statements);
- Northumberland County Industrial Development Authority (the “IDA,” discretely presented within the accompanying financial statements) and;
- Northumberland Anthracite Outdoor Adventure Area Authority (the “AOAA”, a discretely presented component unit in the accompanying financial statements).

The IDA, and AOAA did not issue separate financial statements in 2017.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

Notes to the Financial Statements December 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

JOINT VENTURES

The County is a participant with the other municipalities in joint ventures that provide services to the constituents of all the participants. The County has no interest in the equity of these organizations. The following is a summary of the significant facts and circumstances for each organization:

<u>Name of Organization</u>	<u>Services Provided</u>	<u>County Participation</u>
Northumberland Montour Airport Commission	Airport Facility Management	One-half of the board of directors
SEDA-COG	Numerous governmental services provided to members	One of eleven counties participating
SEDA-COG Joint Rail Authority	Preserve and foster rail service in Central Pennsylvania	One of eleven counties participating

RELATED ORGANIZATIONS

The Board of County Commissioners is also responsible for appointing the members of the governing boards of other organizations, but the County's accountability for these organizations does not extend beyond making appointments. The County does not designate management nor does it have the ability to significantly influence the operations of these entities. In addition, the County does not supply funding (either directly or as a result of special financing relationships) and has no responsibility for fiscal matters for these entities (i.e., not responsible for deficits or entitled to surpluses, no guarantees of debt, etc.) These organizations include:

- Northumberland County Airport Authority
- Northumberland County Housing Authority
- Planning Commission
- Children and Youth Advisory Board
- Behavioral Health and Intellectual Developmental Services Advisory Board
- Drug and Alcohol Advisory Board
- Area Agency on Aging Advisory Board
- Shared-ride Transportation Advisory Committee
- Agricultural Land Preservation Board
- Local Emergency Planning Commission
- Pennsylvania Council on Aging, Northeast Division
- Central Susquehanna Opportunities
- Lewis Township Recreational Complex

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

Notes to the Financial Statements December 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

RELATED ORGANIZATIONS (continued)

- Northumberland County Recreation Commission
- Redevelopment Authority of Northumberland County

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resource measurement focus and the accrual basis of accounting, as are the proprietary funds 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.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

Notes to the Financial Statements December 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (continued)

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 other 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.

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

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

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities.

Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

Notes to the Financial Statements December 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (continued)

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

The County reports the following major governmental funds:

- The General Fund is the government's primary operating fund. It accounts for all financial revenues of the general government, except those required to be accounted for in another fund. Revenues of this fund are primarily derived from real estate taxes, state and federal grants, and fees for services. Many of the basic activities of the County are accounted for in this fund including operation of general County government, boards, commission, the court systems, and the health and welfare services.
- The Behavioral Health and Intellectual Developmental Services (BHIDS) Fund is used to account for specific revenue sources related to the provisions of services that are restricted to expenditures for those specified purposes.
- The Children and Youth Fund is used to account for specific revenue sources related to the provisions of Children and Youth services that are restricted to expenditures for those specified purposes.
- The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.
- The Capital Projects Fund is used to account for the expenditures of resources for capital projects.

The County's enterprise funds are proprietary funds. In the fund financial statements, proprietary funds are presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when the related goods and services are delivered. In the fund financial statements, proprietary funds are presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net position.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

Notes to the Financial Statements December 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (continued)

Proprietary fund operating revenues result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Amounts paid to acquire capital assets are capitalized as assets in the fund financial statements, rather than reported as an expense. Proceeds of long-term debt are recorded as a liability in the fund financial statements, rather than as another financing source. Amounts paid to reduce long-term indebtedness are reported as a reduction of the related liabilities, rather than an expense.

Additionally, the County reports the following fund types:

- The Pension Trust Fund-Employee Benefit Plan accounts for the revenue (i.e., member contributions, County contributions, and net investment income) and the expenses (i.e., contributions refunded, retirement allowances and death benefits paid) of the Pension Trust Fund.
- The Agency Funds consist of restricted funds of the various row offices of the County. Agency Funds reported by the County and their respective purpose(s) include:
 - Treasurer Escrow-licenses and permits sold on behalf of the Commonwealth of Pennsylvania;
 - Medical Claims-deposits held for employee medical claims;
 - Tax Claim Escrow-delinquent tax collections held for various taxing districts;
 - Coal Land Royalty-royalties collected on coal extracted held for various taxing districts;
 - Sheriff Escrow-deposits held for Sheriff sales, undisbursed Sheriff sale proceeds, and personal liens;
 - Bid Deposit Escrow-deposits held by County for bid security;
 - Escheats-unclaimed property held for distribution to Commonwealth of Pennsylvania Treasurer;
 - Prothonotary- inmate funds held during incarceration and various escrow transactions;
 - Juvenile Court Restitution-restitution funds held for disbursement;

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

Notes to the Financial Statements December 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (continued)

- District Justice-undisbursed deposits held by District Justice(s);
 - BHIDS Patient-BHIDS client funds held under Social Security Administration guidelines;
 - Register and recorder- funds held on behalf of various organizations
 - Domestic Relations-fees collected on behalf of the Commonwealth of Pennsylvania; and,
 - Court Costs-funds forfeited pursuant to the Controlled Substances Forfeitures Act.
- An Internal Service Fund, which accounts for the operations of the County's self-insured workers' compensation fund.

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

ASSETS, LIABILITES AND NET POSITION OR FUND BALANCES

CASH EQUIVALENTS

For purposes of the accompanying statement of cash flows, the County considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

INTERFUND RECEIVABLES AND PAYABLES

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to /from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." All receivables are shown net of an allowance for doubtful accounts.

ACCOUNTS RECEIVABLE

All receivables are reported at net realizable value. Amounts are written off when they are determined to be uncollectible based upon management's assessment of individual amounts. The allowance for doubtful accounts is estimated based upon a combination of the County's historical losses and a percentage of aged receivables. The allowance for uncollectable real estate and debt service taxes as of December 31, 2017 amounted to \$231,170 and \$10,437, respectively.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

Notes to the Financial Statements December 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INVESTMENTS

Investments for the County are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

CAPITAL ASSETS

Capital assets, which include property, equipment, and infrastructure assets (e.g., bridges) are, reported in the applicable governmental or business-type activities columns 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.

Major outlays for capital assets and improvements are capitalized as projects are completed. Interest incurred during the construction phase of the capital asset of governmental and business-type activities is included as part of the capitalized value of the assets constructed.

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

Buildings and Improvements	40 years
Equipment	3-20 years
Infrastructure	40 years
Leasehold Assets	40 years

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

Notes to the Financial Statements December 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

COMPENSATED ABSENCES

County policy permits employees to accumulate a limited amount of earned, but unused vacation and sick leave. These benefits are payable to employees upon separation of services. All leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is recorded.

LONG-TERM OBLIGATIONS

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are reported as deferred charges and amortized over the term of related debt.

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. The proprietary and fiduciary fund financial statements utilize the net position presentation as described above.

UNEARNED REVENUES

Unearned revenues reported in government-wide financial statements represent unearned revenues. The unearned revenues will be recognized as revenue in the fiscal year they are earned in accordance with the accrual basis of accounting. Unavailable revenues reported in governmental fund financial statements represent unearned revenues or revenues, which are measurable but not available and in accordance with the modified accrual basis of accounting. The County deems revenues received within 60 days of the year end to be available.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

Notes to the Financial Statements December 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INTERFUND TRANSACTIONS

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions except quasi-external transactions and reimbursements are reported as transfers.

NET POSITION/FUND BALANCES

The government-wide and business-type activities financial statements utilize a net position presentation. Net position are categorized as invested capital assets (net of related debt), restricted and unrestricted.

- *Net Investment in Capital Assets*- This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.
- *Restricted Net Position*- This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Position*- This category represents net position of the County, not restricted for any project or other purpose. In the governmental fund financial statements, reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various reserves and designations are established by actions of the Board of Commissioners and management and can be increased, reduced, or eliminated by similar actions. The proprietary and fiduciary fund financial statements utilized the net position presentation as described above.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

Notes to the Financial Statements December 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

NET POSITION/FUND BALANCES (continued)

Nonspendable fund balance reports resources cannot be spent because of their form, or due to legal or contractual requirements. Committed fund balance reports resources with self-imposed limitation approved by the Commissioners of the County to the end of the period. Formal action is required to remove or modify a constraint reflected in the committed fund balance. There was one commitment for future debt service payments of \$2 million as of December 31, 2017. Assigned fund balance records the portion of fund balance that reflects the Commissioners' intended use of resources. Assigned fund balance can be established by either the Commissioners or senior management. Unlike committed fund balance, formal action is not required to impose, remove, or modify assigned fund balance. The County does not have any assigned fund balance. The remaining balance of approximately \$1.0 million is unassigned and can be used for any purpose. Capital projects had a negative fund balance of \$0.4 million that will be funded with future debt offerings.

ACCOUNTING ESTIMATES

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

2. BUDGETARY DATA

Formal budgetary accounting is employed as management control for the General Fund, certain Special Revenue Funds, and the Debt Service Fund of the County. Annual operating budgets are adopted each year through the passage of an annual budget ordinance and accounting principles generally accepted in the United States of America are used to complete the budget. The County of Northumberland follows these procedures in establishing the budgetary data reflected in the financial statements:

- (1) During August and September, the department heads use current financial status reports to develop financial projections for their programs for the ensuing year. These financial projections are reviewed with the budget staff.
- (2) The Finance Office reviews and consolidates submitted financial projections and forwards the projections to the Commissioners' Office.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

Notes to the Financial Statements December 31, 2017

2. BUDGETARY DATA (continued)

- (3) Upon consolidation of the department and agency expenditure projections, the Commissioners' Office must ascertain the most viable method of financing them.
- (4) Subsequently, the Commissioners' Office assembles the preliminary projections of revenues and expenditures into a final budget incorporating any revisions or adjustments resulting from the aforementioned County Commissioners' review.
- (5) By early December, the final budget is presented to the County Commissioners. Pursuant to budgetary requirements, as set forth in the County Code, public notice is given that the proposed budget is available for inspection for a period of 20 days.
- (6) After the 20-day inspection period but no later than December 31, the County Commissioners adopt the final budget by enacting an appropriate ordinance.
- (7) As required by the Commonwealth of Pennsylvania County Code, the proposed budget is made available for public inspection for at least 20 days prior to the date of adoption, with adoption required by December 31. Subsequent to the budget approval, the County Commissioners adopt the appropriation measures required to put the budget into effect and fix the rate of taxation. Within 15 days subsequent to the legal adoption of the budget, the County Commissioners file a copy of the budget with the Department of Community and Economic Development of the Commonwealth of Pennsylvania.

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

LEVEL OF CONTROL

The County is legally required to maintain budgetary controls at the major function level. In practice, the County maintains budgetary control at the fund level.

LAPSING OF APPROPRIATIONS

Unexpended appropriations lapse at year-end.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

Notes to the Financial Statements December 31, 2017

2. BUDGETARY DATA (continued)

MANAGEMENT AMENDMENT AUTHORITY

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 a department's budget or additional revenue may need to be on a line item basis during the year and are approved by the County Commissioners.

Financial analysis is provided monthly to management showing spending levels in comparison to the current budget. The budget is also reviewed by management with operating departments.

3. CASH, CASH EQUIVALENTS, AND INVESTMENTS

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 Bill
- 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 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 as 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.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

Notes to the Financial Statements December 31, 2017

3. CASH, CASH EQUIVALENTS, AND INVESTMENTS (continued)

F. “Commercial paper” and “prime commercial paper” meeting certain requirements.

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

It is the policy of the County to invest funds under the County’s control principally in certificates of deposit, repurchase agreements, U.S. government securities, and money market mutual funds. Funds under the County’s direct control exclude monies of the Retirement Trust Fund. GAAP requires disclosures related to the following deposit and investment risks, custodial credit risk, custodial 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

Custodial credit risk- Is the risk that in the event of a bank failure, the County will not recover its deposit 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, 2017, the County’s total book and bank balance was approximately \$31.1 million and \$33.8 million, respectively. Of this amount, approximately \$4.1 million was insured by the FDIC. The remaining bank deposits of approximately \$29.7 million were exposed to custodial credit risk, since the deposits were collateralized with securities held by pledging financial institutions, but not in the County’s name. The discretely presented component unit total cash balance of approximately \$1.7 million was covered by federal depository insurance or by collateral held by the component units agent.

INVESTMENTS-PENSION TRUST FUND

Assets in the pension trust fund are stated at fair value, The Employees Pension Board has adopted investment guidelines that summarize the investment philosophy of the Board, as follows:

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 possession of an outside party. As of December 31, 2017, all of the County’s Pension trust funds investments were held in Wells Fargo, and were insured by the Securities Investor Protection Corporation (“SIPC”) up to \$500,000. Additional coverage is provided up to \$1 billion including up to \$1.9 million for cash per client.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

Notes to the Financial Statements December 31, 2017

3. CASH, CASH EQUIVALENTS, AND INVESTMENTS (continued)

INVESTMENTS-PENSION TRUST FUND (continued)

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 protects against credit risk by limiting investments to the following:

- Fixed income investments shall be high quality, marketable securities with a preponderance of the investment in (1) U.S. Treasury, federal agencies and U.S. Government guaranteed obligations, and (2) investment grade corporate issues including convertibles.
- The overall rating of the fixed income assets shall be at least "A" according to either Moody's or Standard and Poor's rating system. In cases where the yield spread adequately compensates for additional risk, BAA, BBB, or below investment grade ratings can be purchased up to a maximum of 15% of total market value of fixed income securities.

As of December 31, 2017, the County's credit quality distribution of securities as a percentage of total investments is as follows:

<u>Security Type</u>	<u>Credit Rating</u>	<u>% of portfolio</u>
Corporate bonds	BBB-AAA	10%
U.S. government obligations	AAA	7%
Managed equities	N/A	78%
Cash and cash equivalents	N/A	5%

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 issue, as follows: for equity securities, not more than 5% of the total stock portfolio (valued at market) may be invested in the common stock of any one corporation; ownership of the shares of one company shall not exceed two (2%) percent of those outstanding, and; not more than 25% of stock (valued at market) may be held in any one industry category. For fixed income securities, any one issue shall not exceed 5% of the total bond portfolio at time of purchase (this rule does not apply to issues of the U.S. Treasury or other federal agencies). As of December 31, 2017, there were no individual investments that exceeded 5% of the total portfolio's market value.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

Notes to the Financial Statements December 31, 2017

3. CASH, CASH EQUIVALENTS, AND INVESTMENTS (continued)

INVESTMENTS-PENSION TRUST FUND (continued)

Interest Rate Risk- Interest rate risk is the risk that changes in market rates will adversely affect the fair value of an investment. The County does not have a specific policy with regard to interest rate risk.

Information about the sensitivity of the fair values of the County's investments to market interest rate fluctuations is provided by the following table which provides a distribution of the County's investments by maturity at December 31, 2017:

<u>Investment</u>	<u>Matures</u>	<u>Fair Value</u>
Corporate bonds	Average of 7 years	\$ 9,036,750
U.S. government obligations	Average of 13 years	5,635,932
Managed equities	N/A	67,326,391
Cash and cash equivalents	N/A	4,382,013
		<u>\$ 86,381,086</u>
Reported in the financial statements as:		
Cash and cash equivalents		\$ 4,382,013
Investments		81,999,073
		<u>\$ 86,381,086</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. The County is not directly invested in any foreign securities as of December 31, 2017.

INVESTMENTS-INTERNAL SERVICE FUNDS

The Internal Service Fund is comprised of the County's Workers' Compensation Fund. The Workers Compensation Fund does not have an investment policy with regard to custodial credit risk, credit risk, concentration of credit risk, interest rate risk, or foreign currency risk. As of December 31, 2017, investments held for the County's Government Obligations included only a money market fund of \$544,327.

The County categorizes its fair value measurements with 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 in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. All investments held by the County are considered Level 1 and are valued using prices quoted in active markets for those securities.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

Notes to the Financial Statements December 31, 2017

4. PROPERTY TAXES

REAL ESTATE PROPERTY TAXES

Real estate property taxes attach as an enforceable lien on property on January 1, based on assessed value listed as of the prior December 31 for all real property located in the County. Assessed values are established by the County Assessment Board at 100% of calculated market value. Taxes are billed on or about March 1, payable under the following terms: 2% discount, March 1 through April 30; face amount, May 1 through June 30, and a 10% penalty from July 1 through December 31. The County bills its own property taxes, which are collected by elected tax collectors. Uncollected real estate property taxes levied for 2017 are recorded as receivables, net of estimated uncollectible amounting to \$231,170 and \$10,437, for debt service purposes as of December 31, 2017. Net receivables estimated to be collectible subsequent to March 31 are reflected in unearned revenue. Prior years' levies are recorded using these same principles, and remaining receivables are annually reevaluated as to collectability.

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. The County levy for 2017 was 21.033 mills for general government purposes and 5.835 mills for debt services purposes.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

**Notes to the Financial Statements
December 31, 2017**

5. CAPITAL ASSETS

Capital assets of the governmental activities for the year ended December 31, 2017 were as follows:

	<u>Balance, January 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance, December 31, 2017</u>
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 697,974	\$ -	\$ 472,100	\$ 225,874
Construction in progress	12,037,175	10,685,369	-	22,722,544
Total capital assets, not being depreciated	<u>12,735,149</u>	<u>10,685,369</u>	<u>472,100</u>	<u>22,948,418</u>
Capital assets, being depreciated				
Buildings and Improvements	22,591,382	-	5,011,252	17,580,130
Infrastructure	11,750,221	51,674	-	11,801,895
Machinery, Equipment, and Vehicles	20,165,515	3,619,190		23,784,705
Total capital assets, being depreciated	<u>54,507,118</u>	<u>3,670,864</u>	<u>5,011,252</u>	<u>53,166,730</u>
Less: Accumulated Depreciation	<u>(27,473,999)</u>	<u>(2,500,022)</u>	<u>5,011,252</u>	<u>(24,962,769)</u>
Total capital assets being depreciated, net	<u>27,033,119</u>	<u>1,170,842</u>	<u>-</u>	<u>28,203,961</u>
Governmental activities, net	<u>\$ 39,768,268</u>	<u>\$ 11,856,211</u>	<u>\$ 472,100</u>	<u>\$ 51,152,379</u>

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

Governmental Activities

General government	\$ 1,714,714
Judicial	131,143
Public Safety	183,474
Human Services	274,541
Public works	<u>196,150</u>
Total depreciation expense, governmental activities	<u>\$ 2,500,022</u>

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

Notes to the Financial Statements December 31, 2017

6. LONG-TERM LIABILITIES

As of December 31, 2017, the County's long term liabilities consisted of the following:

Governmental activities	Balance, January 1, 2017	Additions	Retirements	Balance, December 31, 2017	Current Portion
Long term debt	\$ 31,504,845	\$ 35,395,367	\$ 5,150,151	\$ 61,750,061	\$2,844,643
Compensated absences	1,159,064	91,872	-	1,250,936	-
Net pension liability	8,610,647	-	5,708,465	2,902,182	-
Net OPEB obligation	876,769	432,876	511,892	797,753	-
Claims and judgements	293,793	131,208	266,525	158,476	-
Total	\$ 42,445,118	\$ 36,051,323	\$ 11,637,033	\$ 66,859,408	\$2,844,643

As of December 31, 2017, the County's long-term debt consisted of the following:

Description	Interest Rate	Amount of Original Issue	Balance as of 1/1/17	Additions	Retirements	Balance as of 12/31/17	Current Portion
2010 General Obligation Note	2.0 - 3.70%	3,725,000	\$ 2,530,000	-	\$ (2,530,000)	-	-
2011 General Obligation Note	3.21%	4,260,000	1,755,000	-	(470,000)	1,285,000	595,000
2011 General Obligation Note, Series A	2.35%	3,900,000	1,605,000	-	(520,000)	1,085,000	535,000
2012 Guaranteed Lease Revenue Note	2.16%	5,200,000	3,350,000	-	(640,000)	2,710,000	655,000
2012 General Obligation Note	3.39%	1,800,000	1,755,000	-	(20,000)	1,735,000	15,000
2013 General Obligation Note	3.15%	7,355,000	7,115,000	-	(90,000)	7,025,000	80,000
2015 General Obligation Note	2.77%	10,000,000	5,654,633	4,270,367	(185,000)	9,740,000	90,000
2015 Guaranteed Lease Revenue Note	4.07-6.5%	7,405,399	6,904,212	-	(492,151)	6,412,061	502,643
General Obligation Bond, Series of 2015	1.90%	1,035,000	836,000	-	(203,000)	633,000	207,000
2017 General Obligation Bond, Series of 2017	3.54%	31,125,000	-	31,125,000	-	31,125,000	165,000
			\$ 31,504,845	\$ 35,395,367	\$ (5,150,151)	\$ 61,750,061	\$ 2,844,643

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

Notes to the Financial Statements December 31, 2017

6. LONG-TERM LIABILITIES (continued)

BONDS AND NOTES PAYABLE

In 2010, the County issued \$3,725,000, of General Obligation Notes bearing interest at 2.00% to 3.70% per annum, maturing in 2021. The proceeds of these notes were used to refinance the 2002 Authority Bonds Series A and to pay the costs of issuance.

In 2011, the County issued \$8,160,000, of General Obligation Notes bearing interest at 2.35% to 3.21% per annum, maturing in 2019. The proceeds of these notes were used to refinance the 2001 General Obligation Note, Series B, 2002 Guaranteed Authority Bonds, Series B, General Obligation Note, Series of 2007, and the 2008 General Obligation Note, Series A.

In 2012, the County issued \$5,200,000, of Guaranteed Lease Revenue Notes bearing interest at 2.16% per annum, maturing in 2021. The proceeds of these notes were used for the Authority to purchase a building from the County.

In 2012, the County issued \$1,800,000, of General Obligation Notes bearing interest at 3.39% per annum, maturing in 2025. The proceeds of these notes were used for general capital asset purchases.

In 2013, the County issued \$7,355,000 of General Obligation Notes bearing interest at 3.15% per annum maturing in 2025. The proceeds of these notes were used for general capital asset purchases.

In 2015, the County issued \$10,000,000 of General Obligation Notes bearing interest at 2.77% per annum through 2025 then becomes variable and can be no more than 5% per annum thereafter, maturing in 2035. The proceeds of these notes were used for general capital asset purchases. The County issued \$1,035,000 of General Obligation Bonds bearing interest at 1.9% per annum maturing in 2020. The proceeds of these bonds were used to partially pay off the 2011 General Obligation Notes. Additionally, the County issued \$7,405,399 of Guaranteed Lease Revenue Note, Series 2015 bearing interest at 4.07% per month through 2022 and reset thereafter through 2028 at a maximum rate of 6.5%.

In 2017, the County issued \$31,125,000 of General Obligation Bonds bearing interest at 3.537% per annum maturing in 2042. The proceeds of these notes were used for general capital asset purchases.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

Notes to the Financial Statements December 31, 2017

6. LONG-TERM LIABILITIES (continued)

An analysis of debt service requirements to maturity on these obligations is as follows:

<u>Years Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2018	\$ 2,844,643	\$ 2,094,950	\$ 4,939,593
2019	3,049,487	2,010,296	5,059,783
2020	3,055,194	1,918,298	4,973,492
2021	3,157,802	1,807,906	4,965,708
2022	3,268,772	1,697,938	4,966,710
2023-2027	14,579,326	7,196,084	21,775,410
2028-2032	9,234,837	5,019,566	14,254,403
2033-2037	10,315,000	3,253,513	13,568,513
2038-2042	12,245,000	1,312,094	13,557,094
Totals	<u>\$ 61,750,061</u>	<u>\$ 26,310,645</u>	<u>\$ 88,060,706</u>

7. COMPENSATED ABSENCES

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 55 unused vacation days to the subsequent calendar year. Time carried over in this manner is considered vested.

SICK PAY

Employees earn 1 1/4 sick days for each month of service or 15 days per year. Current practice allows for the accumulation of unused sick days to be paid at retirement if the employee meets either of the applicable vesting requirements: Age 55 with 20 or more years of credited service to the County or Age 60.

Applicable GASB pronouncements require accrual of sick and vacation pay that meet certain specific conditions. The County has determined that such conditions apply to vested vacation pay and accumulated sick pay of Governmental Funds and the Proprietary Fund. The County has accrued a liability for vacation and sick pay in financial statements at the fund level for the Proprietary Fund and in the Governmental and Business Type Activities in government-wide financial statements.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

Notes to the Financial Statements
December 31, 2017

8. INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances consist of the following at December 31, 2017:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Governmental funds		
General Fund	\$ 1,879,600	\$ 3,310,973
Special revenue/non-major	3,247,567	1,816,194
	<hr/>	<hr/>
Total	<u>\$ 5,127,167</u>	<u>\$ 5,127,167</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 in the pooled amount on behalf of other funds. In addition, the General Fund has paid expenses on behalf of other funds; therefore, a corresponding interfund receivable and payable has been recorded.

9. INTERFUND OPERATING TRANSFERS

Interfund transfers are executed as a result of the requirements for the General Fund to "match" a portion of the expenditures or expenses of other funds. Interfund operating transfers for such purposes are as follows:

	<u>Transfers From Other Funds</u>	<u>Transfers to Other Funds</u>
Governmental funds		
General Fund	\$ 24,320	\$ 4,322,066
Special revenue/non-major	21,707,417	17,409,671
	<hr/>	<hr/>
Total	<u>\$ 21,731,737</u>	<u>\$ 21,731,737</u>

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

Notes to the Financial Statements December 31, 2017

10. RISK MANAGEMENT

The County is exposed to risk of loss related to self-insurance activities for workers' compensation, medical, and prescription drug claims. The County records the liability for the risk associated with the County's self-insurance activities in the Internal Service Fund.

WORKERS' COMPENSATION

The County self-insures its Workers' Compensation claims and has established a trust account (the "Workers' Compensation Trust") with a local bank to fund its workers' compensation liabilities. Under this program, the Workers' Compensation Trust provides coverage for up to a maximum of \$400,000. The County purchases commercial insurance for claims in excess of coverage provided by the Fund. There have been no changes in insurance coverages, retention limits or excess loss policies from the prior year. Settled claims have not exceeded this commercial coverage since inception.

The County establishes claims liabilities for its self-insured workers' compensation based on the requirements of GASB No. 30, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in exact amounts. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claim costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation, and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to revenue in the periods in which they are made. Such claims are not discounted.

The following summary provides aggregate information on self-insurance liabilities, incurred claims, and payments during the years ended December 31, 2017 and 2016, and reported self-insurance liabilities as of December 31, 2017 and 2016.

	<u>Liability, beginning of year</u>	<u>Incurred claims and changes in estimate</u>	<u>Benefit payments</u>	<u>Liability, End of year</u>
2017	\$ 293,793	\$ 131,208	\$ (266,525)	\$ 158,476
2016	125,941	594,895	(427,043)	293,793

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

Notes to the Financial Statements December 31, 2017

11. EMPLOYEES RETIREMENT PLAN

The Employees' Retirement Trust Fund Plan (the "Plan") is a contributory defined benefit single employer retirement plan covering all County employees, except those hired on a part-time basis. The Plan is included in the accompanying financial statements of the County as a pension trust fund. The financial statements of the Retirement 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.

As of December 31, 2017, the date of the latest valuation, employees covered by the Plan consisted of the following:

Active plan members	446
Retirees and beneficiaries currently receiving benefits	705
Terminated employees entitled to benefits	<u>94</u>
Total	<u><u>1,245</u></u>

INVESTMENTS

All investments of the pension trust fund are reported at fair value. Securities traded on a national level are valued at the last reported sales price at current exchange rates. Real estate assets are reported at fair value utilizing an income approach to valuation.

CONTRIBUTIONS

Employees are required to contribute a portion of their salaries (5% of earnings in 2017) to the Plan and employees can elect to contribute up to 15% 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 aggregate actuarial cost funding method.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

Notes to the Financial Statements December 31, 2017

11. EMPLOYEES RETIREMENT PLAN (continued)

CONTRIBUTIONS (continued)

The annual required contribution was determined based on the most recent annual actuarial valuation dated January 1, 2017. The entry age actuarial cost method of funding was used in the valuation, which does not identify and separately amortize unfunded actuarial liabilities. Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 7.50% per year compounded annually; (b) projected salary increases of 3.50% per annum; and (c) no postretirement benefit increases. Both (a) and (b) include an inflation component based on 3%. The method used to determine the actuarial value of assets is a five-year smoothed market.

INVESTMENTS

The table below summarizes the target asset class assumed rates of return:

<u>Investment Type</u>	<u>Target Allocation</u>	<u>Assumed Rate of Return</u>
Domestic Equity	40-80%	5.4-6.4%
International Equity	40-80%	5.5-6.5%
Fixed Income	20-60%	1.3-3.3%
Real estate	0-10%	4.5-5.5%
Cash	0-5%	0.0-1.0%

ACTUARIAL ASSUMPTIONS

The Plan had the following actuary assumptions and methods:

Actuarial cost method	Entry Age Normal
Amortization Method	Level Dollar
Mortality	RP-2013 Annuitant and Non-Annuitant Tables for Males and Females
Asset Valuation Method	Fair Value
Actuarial Assumptions	
Investment rate of return	7.50%
Projected salary increases	3.50%
Inflation	3.00%

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

**Notes to the Financial Statements
December 31, 2017**

11. EMPLOYEES RETIREMENT PLAN (continued)

NET PENSION LIABILITY

The net pension liability is equal to the total pension liability minus the net position of the plan. The result as of December 31, 2017 was as follows:

Total pension liability	\$ 89,263,777
Net position	<u>86,361,595</u>
Net pension liability	<u><u>\$ 2,902,182</u></u>
Net position as a percentage of total pension liability	96.7%

SENSITIVITY OF THE NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT RATE

The sensitivity of the net pension liability of the plan to a 1% change to the discount rate is as follows:

	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
Net pension liability	\$ 11,610,218	\$ 2,902,182	\$ (4,444,143)

DEFERRED OUTFLOWS AND INFLOWS RELATED TO PENSIONS

For the 2017 measurement period, the County recognized pension expense of approximately \$4.7 million and 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 between expected and actual experience	\$ -	\$ 74,584
Net difference between projected and actual earnings on pension plan investments	-	<u>2,472,738</u>
	<u><u>\$ -</u></u>	<u><u>\$ 2,547,322</u></u>

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

Notes to the Financial Statements December 31, 2017

11. EMPLOYEES RETIREMENT PLAN (continued)

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

<u>Year Ended:</u>		
2018	\$	(366,546)
2019		151,439
2020		(1,160,347)
2021		(1,171,868)
	\$	<u>(2,547,322)</u>

12. OTHER POSTEMPLOYMENT BENEFITS

PLAN DESCRIPTION

The County's Retiree Health and Welfare Benefit Plan (the "Plan") is a single-employer defined benefit plan administered by the County. The Plan provides postemployment benefits to eligible retirees. The County pays eligible retirees \$100 for each year of service rendered to the County up to a maximum of 20 years; with a eligibility requirement of 20 years of service. This is to offset the employees cost of purchasing health insurance after retirement The Plan is unfunded and no financial report is prepared. The Plan is authorized and under the control, maintenance and operation of the County Commissioners. During the year ended December 31, 2012, the Plan was amended to make non-union employees hired after June 26, 2012 no longer eligible to participate in the Plan.

FUNDING POLICY

Plan members do not contribute to the plan, the County pays 100% of the cost of coverage for retired covered employees. The required contribution is based on pay-as-you-go financing requirements. The County Commissioners have the authority to amend the plan including changing the obligations of the plan members and the County to contribute to the plan.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

Notes to the Financial Statements December 31, 2017

12. OTHER POSTEMPLOYMENT BENEFITS (continued)

ANNUAL OPEB COST AND NET OPEB OBLIGATION

The County's annual other postemployment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of GAAP. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

Annual required contribution	\$ 487,763
Interest on net OPEB obligation	33,472
Adjustment to annual required contribution	<u>(88,359)</u>
Annual OPEB cost	432,876
Contributions made	<u>511,892</u>
Decrease in net OPEB obligation	(79,016)
Net OPEB obligation, beginning of year	<u>876,769</u>
Net OPEB obligation, end of year	<u>\$ 797,753</u>

The County has not set up an OPEB trust to hold assets for the OPEB Plan. Therefore, the provisions of GASB 74 are not applicable.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

**Notes to the Financial Statements
December 31, 2017**

12. OTHER POSTEMPLOYMENT BENEFITS (continued)

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for December 31, 2017 were as follows:

<u>Years Ended December 31,</u>	<u>Annual OPEB Cost</u>	<u>Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2017	\$ 432,876	118.3%	\$ 797,753
2016	478,248	109.1%	876,769
2015	501,585	94.8%	880,243

FUNDED STATUS AND FUNDING PROGRESS

The funded status of the Plan as of January 1, 2017, per the January 1, 2017 actuarial valuation, the most recent actuarial valuation date, was as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Plan Assets (a)</u>	<u>Actuarial Accrued Liability (b)</u>	<u>Total Unfunded Actuarial Liability (asset) (c)</u>	<u>Funded Ratio (a)/(b)</u>	<u>Annual Covered Payroll (d)</u>	<u>Ratio of Unfunded Liability to Annual Covered Payroll ((b-a)/d)</u>
1/1/2017		\$ 6,919,843	\$ 6,919,843	0.0%	\$ 17,342,703	39.9%
1/1/2016	-	7,085,002	7,085,002	0.0%	16,619,097	42.6%
1/1/2015	-	6,965,175	6,965,175	0.0%	17,280,652	40.3%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trends. Actuarial amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

Notes to the Financial Statements December 31, 2017

12. OTHER POSTEMPLOYMENT BENEFITS (continued)

ACTUARIAL METHODS AND ASSUMPTIONS

The calculations are based on the types of benefits provided under the terms of the substantive plan at the time of valuation and on the pattern of cost sharing between the employer and plan members. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2017 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4.0% discount rate. The Unfunded Actuarial Accrued Liability is being amortized using the level dollar open method of projected payroll. The RP 2013 Annuitant and Non-annuitant mortality tables were used. The remaining amortization period at January 1, 2017 was 30 years.

13. COMMITMENTS AND CONTINGENCIES

LITIGATION

In the normal course of business, there are various claims and suits pending against the County and its elected officials. Management is of the opinion that these matters will not have a material adverse effect on the County's financial position as of December 31, 2017.

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 NORTHUMBERLAND, PENNSYLVANIA

Notes to the Financial Statements December 31, 2017

14. PENDING ACCOUNTING PRINCIPLES

As of the year ended June 30, 2017, GASB issued GASB Statement No. 74 entitled, Financial Reporting For Postemployment Benefit Plans Other Than Pension Plans; GASB Statement No. 75 entitled, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions; GASB Statement No. 81 Irrevocable Split-Interest Agreements; GASB Statement No. 84, Fiduciary Activities; GASB Statement No. 85, Omnibus 2017, and GASB Statement No. 87, Leases.

The County adopted GASB 74 during 2017 with no material impact to the financial statements as the County has not set up a separate OPEB trust.

The County will be analyzing the effects of these pronouncements and plans to adopt them by their respective effective dates. Management expects the adoption of GASB 75 to have a material effect on the financial statements.

15. RECLASSIFICATIONS

The County reclassified certain beginning balances included within the footnotes to the financial statements to comply with current year presentation.

REQUIRED SUPPLEMENTARY INFORMATION

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

**Required Supplementary Information
December 31, 2017**

Schedule of Net Pension Liability

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability				
Service Cost	\$ 1,789,747	\$ 1,673,926	\$ 1,496,744	\$ 651,285
Interest	6,421,572	6,086,746	6,120,383	5,920,055
Changes in benefit terms	-	1,404,709	-	2,942,480
Differences between expected and actual experience	648,351	(1,568,646)	30,074	450,973
Benefit Payments, including refunds of member contributions	(6,558,158)	(7,383,770)	(6,054,180)	(6,072,799)
Net change in total pension liability	<u>2,301,512</u>	<u>212,965</u>	<u>1,593,021</u>	<u>3,891,994</u>
Total pension liability - beginning	86,962,265	86,749,300	85,156,279	81,264,285
Total pension liability - ending (a)	<u>\$ 89,263,777</u>	<u>\$ 86,962,265</u>	<u>\$ 86,749,300</u>	<u>\$ 85,156,279</u>
Plan Fiduciary Net Position				
Contributions - Employer	\$ 1,958,315	\$ 1,685,928	\$ 1,111,373	\$ 1,135,549
Contributions - Member	1,099,322	1,063,212	1,127,652	1,060,075
Net investment income	11,602,979	5,678,272	323,884	5,884,333
Benefit payments, including refunds of member contributions	(6,558,158)	(7,383,770)	(6,054,180)	(6,072,799)
Administrative expense	(92,481)	(99,500)	(103,722)	(58,546)
Net change in plan fiduciary net position	<u>8,009,977</u>	<u>944,142</u>	<u>(3,594,993)</u>	<u>1,948,612</u>
Plan fiduciary net position - beginning	78,351,618	77,407,476	81,002,469	79,053,857
Plan fiduciary net position - ending (b)	<u>\$ 86,361,595</u>	<u>\$ 78,351,618</u>	<u>\$ 77,407,476</u>	<u>\$ 81,002,469</u>
Net Pension Liability- ending (a)-(b)	<u>\$ 2,902,182</u>	<u>\$ 8,610,647</u>	<u>\$ 9,341,824</u>	<u>\$ 4,153,810</u>
Plan fiduciary net position as a percentage of total pension liability	96.75%	90.10%	89.23%	95.12%
Covered employee payroll	\$ 17,342,703	\$ 16,087,224	\$ 17,280,652	\$ 17,243,020
Net liability as a percentage of covered payroll	16.73%	53.52%	54.06%	24.09%
Annual money-weighted rate of return, net of investment expense	15.14%	8.31%	0.37%	7.35%

Notes to schedule:

This information is not available for prior years.

The accompanying notes are an integral part of this schedule.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

**Required Supplementary Information
December 31, 2017**

Schedule of Pension Contributions

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially Determined Contribution	\$ 1,958,315	\$ 1,685,928	\$ 1,111,373	\$ 1,135,549
Contributions in Relation to the Actuarially Determined Contribution	<u>1,958,315</u>	<u>1,685,928</u>	<u>1,111,373</u>	<u>1,135,549</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Employee Payroll	\$ 17,342,703	\$ 16,087,224	\$ 17,280,652	\$ 17,243,020
Contributions as a Percentage of Covered Employee Payroll	11.3%	10.5%	6.6%	6.6%

Notes to schedule:

Valuation Date: January 1, 2017 January 1, 2016 January 1, 2015 January 1, 2014
prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial Valuation Date:	
Actuarial Cost Method:	Entry age
Amortization Method:	Level dollar
Remaining Amortization Period:	24 years
Asset Valuation Method:	Fair-market value
Inflation:	3.00%
Salary Increases:	3.5% average, including inflation
Investment Rate of Return:	7.5%, net of pension plan investment expense, including inflation
Retirement Age:	Age 60 or 55 with 20 years' experience
Mortality:	2013 RP Annuitant and Non-Annuitant Mortality Tables for males and females with no projected improvement

* This information is not available for prior years.

The accompanying notes are an integral part of this schedule.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

**Required Supplementary Information
December 31, 2017**

**Retiree Health and Welfare Benefit Plan
Schedule of Funding Progress
2015, 2016, 2017**

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Total Unfunded Actuarial Liability (asset) (c)	Funded Ratio (a)/(b)	Annual Covered Payroll (d)	Ratio of Unfunded Liability to Annual Covered Payroll ((b-a)/d)
1/1/2017		\$ 6,919,843	\$ 6,919,843	0.0%	\$ 17,342,703	39.9%
1/1/2016	-	7,085,002	7,085,002	0.0%	16,619,097	42.6%
1/1/2015	-	6,965,175	6,965,175	0.0%	17,280,652	40.3%

**Retiree Health and Welfare Benefit Plan
Schedule of Employer Contributions
2015, 2016, 2017**

Years Ended December 31,	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation
2017	\$ 432,876	118.3%	\$ 797,753
2016	478,248	109.1%	876,769
2015	501,585	94.8%	880,243

The accompanying notes are an integral part of this schedule.

COMBINING AND INDIVIDUAL FUND STATEMENTS

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

**Combining Balance Sheet
Nonmajor Governmental Funds
As of December 31, 2017**

	ACT 35	DOMESTIC RELATIONS	PLANNING	WEATHERIZATION	ADULT SERVICES	EMERGENCY MANAGEMENT	AREA AGENCY ON AGING	DRUGS & ALCOHOL
ASSETS:								
Cash and cash equivalents	\$ 200,404	\$ -	\$ 16,679	\$ -	\$ 6,082	\$ -	\$ 453,092	\$ 92,294
Due from other funds	-	-	-	-	-	-	-	9,723
Receivable from other governments	159	215,587	101,245	198,803	4,718	86,267	-	234,736
Other receivables	-	40	-	-	-	28,842	4,041	7,562
Other assets	-	-	-	18,774	-	-	-	-
TOTAL	200,563	215,627	117,924	217,577	10,800	115,109	457,133	344,315
LIABILITIES								
Liabilities:								
Accounts payable	4,107	33,518	107,643	13,610	2,472	4,714	204,971	62,055
Due to other funds	-	167,996	-	201,289	-	-	37,204	-
Payable to other governments	-	-	-	-	-	78,915	-	44,021
Deferred revenue	-	-	10,208	-	111	927	7,519	71,207
Other accrued expenses	-	14,113	73	2,678	47	1,685	28,782	7,041
Total liabilities	4,107	215,627	117,924	217,577	2,630	86,241	278,476	184,324
FUND BALANCES,								
Restricted for,								
Program purposes	196,456	-	-	-	8,170	28,868	178,657	159,991
TOTAL	\$ 200,563	\$ 215,627	\$ 117,924	\$ 217,577	\$ 10,800	\$ 115,109	\$ 457,133	\$ 344,315

The accompanying notes are an integral part of this schedule.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

**Combining Balance Sheet
Nonmajor Governmental Funds
As of December 31, 2017**

LIQUID FUELS	JUVENILE COURT	AFFORDABLE HOUSING	RECORDS IMPROVEMENT	911 CENTER	INMATE FUNDS	NORTH-UMBERLAND COUNTY AUTHORITY	TOTAL NONMAJOR GOVERNMENTAL FUNDS
\$ 2,726,544	\$ 897	\$ 217,612	\$ 215,932	\$ 80,495	\$ 89,182	\$ 72,675	\$ 4,171,888
35	15,803	-	-	4,486	-	-	30,047
-	208,497	-	-	367,504	-	-	1,417,516
-	5,538	4,862	33,159	-	-	-	84,044
-	-	-	-	9,335	-	-	28,109
<u>2,726,579</u>	<u>230,735</u>	<u>222,474</u>	<u>249,091</u>	<u>461,820</u>	<u>89,182</u>	<u>72,675</u>	<u>5,731,604</u>
7,243	95,896	50,026	-	22,144	-	-	608,399
-	103,382	-	-	423,928	-	-	933,799
-	12,206	-	-	-	-	215,011	350,153
-	772	-	-	404	-	-	91,148
1,399	18,479	103	30,833	15,344	-	-	120,577
<u>8,642</u>	<u>230,735</u>	<u>50,129</u>	<u>30,833</u>	<u>461,820</u>	<u>-</u>	<u>215,011</u>	<u>2,104,076</u>
2,717,937	-	172,345	218,258	-	89,182	(142,336)	3,627,528
<u>\$ 2,726,579</u>	<u>\$ 230,735</u>	<u>\$ 222,474</u>	<u>\$ 249,091</u>	<u>\$ 461,820</u>	<u>\$ 89,182</u>	<u>\$ 72,675</u>	<u>\$ 5,731,604</u>

The accompanying notes are an integral part of this schedule.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2017**

	ACT 35	DOMESTIC RELATIONS	PLANNING	WEATHERIZATION	ADULT SERVICES	EMERGENCY MANAGEMENT	AREA AGENCY ON AGING	DRUGS & ALCOHOL
REVENUES:								
Fees and fines	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	769,986	896,517	729,410	221,440	118,891	4,160,529	1,084,944
Charges and services	239,549	96,932	-	-	-	79,611	61,451	65,713
Investment earnings	900	-	-	-	-	-	2,534	503
Miscellaneous	-	-	-	-	-	-	9,268	975
Total revenues	240,449	866,918	896,517	729,410	221,440	198,502	4,233,782	1,152,135
EXPENDITURES:								
Current:								
General government	-	-	-	-	-	-	-	-
Judicial	-	-	-	-	-	-	-	-
Public Safety	283,285	-	-	-	-	321,291	-	-
Human services	-	1,228,000	-	731,449	218,927	-	4,439,533	1,121,440
Public works	-	-	-	-	-	-	-	-
Conservation and development	-	-	907,098	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest and other charges	-	-	-	-	-	-	-	-
Total expenditures	283,285	1,228,000	907,098	731,449	218,927	321,291	4,439,533	1,121,440
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES								
	(42,836)	(361,082)	(10,581)	(2,039)	2,513	(122,789)	(205,751)	30,695
OTHER FINANCING SOURCES (USES):								
Proceeds From Long Term Debt	-	-	-	-	-	-	-	-
Transfers in	-	362,163	10,581	2,039	-	94,544	35,858	21,535
Transfers out	-	(1,081)	-	-	-	-	-	(23,238)
Total other financing sources and uses	-	361,082	10,581	2,039	-	94,544	35,858	(1,703)
NET CHANGE IN FUND BALANCES	(42,836)	-	-	-	2,513	(28,245)	(169,893)	28,992
FUND BALANCES, Beginning	239,292	-	-	-	5,657	57,113	348,550	130,999
FUND BALANCES, Ending	\$ 196,456	\$ -	\$ -	\$ -	\$ 8,170	\$ 28,868	\$ 178,657	\$ 159,991

The accompanying notes are an integral part of this schedule.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2017**

LIQUID FUELS	JUVENILE COURTS	AFFORDABLE HOUSING	RECORD IMPROVEMENTS	911 CENTER	INMATE FUND	NORTH- UMBERLAND COUNTY AUTHORITY	TOTAL NONMAJOR GOVERNMENTAL FUNDS
\$ -	\$ 29,313	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,313
723,013	649,558	-	-	1,529,083	-	-	10,883,371
11,142	55,907	60,787	31,292	36,885	-	1,492,207	2,231,476
9,287	-	-	783	946	351	229	15,533
-	27,794	-	-	4,393	2,898	-	45,328
<u>743,442</u>	<u>762,572</u>	<u>60,787</u>	<u>32,075</u>	<u>1,571,307</u>	<u>3,249</u>	<u>1,492,436</u>	<u>13,205,021</u>
-	-	-	3,598	-	-	12,542	16,140
-	2,233,714	-	-	-	4,054	-	2,237,768
-	-	-	-	1,930,965	-	-	2,535,541
-	-	56,998	-	-	-	-	7,796,347
277,590	-	-	-	-	-	-	277,590
-	-	-	-	-	-	-	907,098
-	-	-	-	-	-	-	-
-	-	-	-	-	-	1,150,487	1,150,487
-	-	-	-	-	-	334,902	334,902
<u>277,590</u>	<u>2,233,714</u>	<u>56,998</u>	<u>3,598</u>	<u>1,930,965</u>	<u>4,054</u>	<u>1,497,931</u>	<u>15,255,873</u>
465,852	(1,471,142)	3,789	28,477	(359,658)	(805)	(5,495)	(2,050,852)
-	-	-	-	-	-	-	-
-	1,471,142	-	-	359,658	-	-	2,357,520
-	-	-	-	-	-	-	(24,319)
-	1,471,142	-	-	359,658	-	-	2,333,201
465,852	-	3,789	28,477	-	(805)	(5,495)	282,349
2,252,085	-	168,556	189,781	-	89,987	(136,841)	3,345,179
<u>\$ 2,717,937</u>	<u>\$ -</u>	<u>\$ 172,345</u>	<u>\$ 218,258</u>	<u>\$ -</u>	<u>\$ 89,182</u>	<u>\$ (142,336)</u>	<u>\$ 3,627,528</u>

The accompanying notes are an integral part of this schedule.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

**Combining Statement of Fiduciary Net Position
Fiduciary Funds Agency
December 31, 2017**

	TREASURER ESCROW	MEDICAL CLAIMS	TAX CLAIM ESCROW	COAL LAND ROYALTY	SHERIFF ESCROW	BID DEPOSIT ESCROW	ESCHEATS
ASSETS:							
Cash and cash equivalents	\$ 19,979	\$ 11	\$ 553,879	\$ 44,523	\$ 545,102	\$ -	\$ 90,829
Restricted cash	-	-	-	-	-	-	-
Other receivables	2,286	8,954	50,930	-	2,987	-	720
TOTAL	\$ 22,265	\$ 8,965	\$ 604,809	\$ 44,523	\$ 548,089	\$ -	\$ 91,549
LIABILITIES:							
Accounts payable	\$ -	\$ -	\$ 224,145	\$ 5,416	\$ -	\$ -	\$ -
Due to other funds	-	8,965	-	487	-	-	-
Due to other governments	-	-	-	38,620	-	-	-
Refunds payable and others	22,265	-	380,664	-	548,089	-	91,549
TOTAL	\$ 22,265	\$ 8,965	\$ 604,809	\$ 44,523	\$ 548,089	\$ -	\$ 91,549

The accompanying notes are an integral part of this schedule.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

**Combining Statement of Fiduciary Net Position
Fiduciary Funds Agency
December 31, 2017**

PROTHONOTARY	JUVENILE COURT RESTITUTION	DISTRICT JUSTICE	BHIDS PATIENT	REGISTER and RECORDER	DOMESTIC RELATIONS	COURT COST	TOTAL
\$ 291,996	\$ 44,081	\$ 198,863	\$ 432,922	\$ 186,309	\$ 8,761	\$ 225,207	\$ 2,642,462
-	-	-	-	-	-	-	-
-	4,302	-	-	-	-	-	70,179
<u>\$ 291,996</u>	<u>\$ 48,383</u>	<u>\$ 198,863</u>	<u>\$ 432,922</u>	<u>\$ 186,309</u>	<u>\$ 8,761</u>	<u>\$ 225,207</u>	<u>\$ 2,712,641</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 229,561
-	-	-	-	-	-	-	9,452
-	-	-	-	-	-	-	38,620
291,996	48,383	198,863	432,922	186,309	8,761	225,207	2,435,008
<u>\$ 291,996</u>	<u>\$ 48,383</u>	<u>\$ 198,863</u>	<u>\$ 432,922</u>	<u>\$ 186,309</u>	<u>\$ 8,761</u>	<u>\$ 225,207</u>	<u>\$ 2,712,641</u>

The accompanying notes are an integral part of this schedule.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

**Schedule of Revenue, Expenditures, and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended December 31, 2017**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCES WITH FINAL BUDGET- POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES:				
Taxes	\$ 16,210,127	\$ 16,210,127	\$ 16,353,264	\$ 143,137
Intergovernmental	555,636	567,441	727,551	160,110
Charges for services	3,579,927	3,631,921	3,543,964	(87,957)
Investment earnings	113,200	113,200	126,315	13,115
Miscellaneous	295,821	295,821	844,813	548,992
Total revenues	<u>20,754,711</u>	<u>20,818,510</u>	<u>21,595,907</u>	<u>777,397</u>
EXPENDITURES:				
Current:				
General government	5,290,928	5,283,828	4,889,494	394,334
Judicial:				
Jail	6,740,451	6,740,451	7,062,020	(321,569)
Other	5,340,244	5,359,149	5,211,701	147,448
Public safety	2,066,372	2,118,366	1,752,701	365,665
Human services	155,317	155,317	149,987	5,330
Conservation and development	242,509	242,509	252,509	(10,000)
Culture and recreation	-	-	-	-
Total expenditures	<u>19,835,821</u>	<u>19,899,620</u>	<u>19,318,412</u>	<u>581,208</u>
EXCESS OF REVENUES OVER EXPENDITURES				
	<u>918,890</u>	<u>918,890</u>	<u>2,277,495</u>	<u>1,358,605</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from long term debt	-	-	-	-
Insurance recoveries	-	-	-	-
Transfers in	81,672	81,672	24,320	(57,352)
Transfers out	(4,889,719)	(4,889,719)	(4,322,066)	567,653
Total other financing uses, net	<u>(4,808,047)</u>	<u>(4,808,047)</u>	<u>(4,297,746)</u>	<u>510,301</u>
Net change in fund balances	<u>(3,889,157)</u>	<u>(3,889,157)</u>	<u>(2,020,251)</u>	<u>1,868,906</u>
Fund balances, beginning	-	-	5,082,631	-
Fund balances, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,062,380</u>	<u>\$ -</u>

The accompanying notes are an integral part of this schedule.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

**Schedule of Revenue, Expenditures, and Changes in Fund Balance
Budget and Actual
Behavioral Health and Intellectual Development Services
For the Year Ended December 31, 2017
(Unaudited) Budgeted Amounts**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET- POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES:				
Intergovernmental	\$ 11,457,238	\$ 11,457,238	\$ 9,841,704	\$ (1,615,534)
Charges for services	55,200	55,200	145,307	90,107
Investment earnings	4,000	4,000	4,396	396
Miscellaneous Revenue	14,581	14,581	24,572	9,991
Total revenues	<u>11,531,019</u>	<u>11,531,019</u>	<u>10,015,979</u>	<u>(1,515,040)</u>
EXPENDITURES,				
Current,				
Human services	<u>11,941,600</u>	<u>11,941,600</u>	<u>10,362,539</u>	<u>1,579,061</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	(410,581)	(410,581)	(346,560)	64,021
OTHER FINANCING SOURCES (USES):				
Transfers in	450,581	450,581	386,560	(64,021)
Transfers out	(40,000)	(40,000)	(40,000)	-
Total other financing sources and uses	<u>410,581</u>	<u>410,581</u>	<u>346,560</u>	<u>(64,021)</u>
NET CHANGE IN FUND BALANCES				
FUND BALANCES, Beginning	-	-	10,681	-
FUND BALANCES, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,681</u>	<u>\$ -</u>

The accompanying notes are an integral part of this schedule.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

**Schedule of Revenue, Expenditures, and Changes in Fund Balance
Budget and Actual
Children and Youth
For the Year Ended December 31, 2017
(Unaudited) Budgeted Amounts**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET- POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES:				
Intergovernmental	\$ 9,417,800	\$ 9,417,800	\$ 9,112,175	\$ (305,625)
Charges for services	382,207	382,207	310,870	(71,337)
Miscellaneous	-	-	2,778	2,778
Total revenues	9,800,007	9,800,007	9,425,823	(374,184)
EXPENDITURES,				
Current,				
Human services	11,604,209	11,595,254	11,043,808	(551,446)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,804,202)	(1,795,247)	(1,617,985)	177,262
OTHER FINANCING SOURCES (USES):				
Transfers in	1,804,202	1,804,202	1,617,985	(186,217)
Transfers out	-	-	-	-
Total other financing sources and uses	1,804,202	1,804,202	1,617,985	(186,217)
NET CHANGE IN FUND BALANCES	-	8,955	-	(8,955)
FUND BALANCES, Beginning	-	-	-	-
FUND BALANCES, Ending	\$ -	\$ 8,955	\$ -	\$ (8,955)

The accompanying notes are an integral part of this schedule.