

COUNTY OF BEAVER, PENNSYLVANIA

FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

December 31, 2016

COUNTY OF BEAVER, PENNSYLVANIA

FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

DECEMBER 31, 2016

TABLE OF CONTENTS

	<u>Page(s)</u>
Report of Independent Certified Public Accountants.....	1-3
Management’s Discussion and Analysis	4-18
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position.....	20
Statement of Activities	21
Fund Financial Statements:	
Balance Sheet – Governmental Funds	22
Reconciliation of Governmental Fund Balances to the Statement of Net Position	23
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	24
Reconciliation of the Statement of Revenues, Expenditures, and Changes In Fund Balances of Governmental Funds to the Statement of Activities	25
Statement of Net Position – Proprietary Funds	26
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds	27
Statement of Cash Flows – Proprietary Funds.....	28
Statement of Net Position – Fiduciary Funds	29
Statement of Changes in Net Position – Fiduciary Funds	30
Notes to Basic Financial Statements	31-104
Required Supplemental Information:	
Schedule of Changes in the County’s Net Pension Liability (Asset) and Related Ratios – Pension Trust Fund.....	106
Schedule of County Contributions and Pension Plan Investment Returns- Pension Trust Fund	107
Notes to Required Supplemental Information- Pension Trust Fund	108
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	109
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Mental Health / Intellectual Disabilities	110
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Children and Youth.....	111
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Community Development.....	112
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – HealthChoices	113
Notes to Required Supplemental Information	114

COUNTY OF BEAVER, PENNSYLVANIA

FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

DECEMBER 31, 2016

TABLE OF CONTENTS
(Continued)

	<u>Page(s)</u>
Other Supplemental Information:	
Combining Balance Sheet – Non-major Governmental Funds	116-117
Combining Statement of Revenues, Expenditures, and Changes In Fund Balance – Non-major Governmental Funds	118-119
Combining Statement of Changes in Assets and Liabilities – Agency Funds	120-121
Schedule of Expenditures of Federal Awards	123-129
Notes to Schedule of Expenditures of Federal Awards	130
Report of “Agreed – Upon Procedures” for Fiscal Year	
Financial Schedules and Exhibits	131-132
Pennsylvania Department of Human Services’	
Financial Schedules and Exhibits	133-139
Other Reports of Independent Certified Public Accountants	141-144
Schedule of Findings and Questioned Costs	145-146

The Board of County Commissioners
and the Beaver County Controller
County of Beaver
Beaver, Pennsylvania

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Beaver, Pennsylvania (the County), as of and for the year ended December 31, 2016 (with the aggregate discretely presented component units as of and for the year ended June 30, 2016), and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 Beaver County Transit Authority (BCTA) and the Community College of Beaver County (CCBC) as of and for the year ended June 30, 2016, which represent 100 percent of the assets, net position, and revenues of the discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for BCTA and CCBC is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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 reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of December 31, 2016 (with the aggregate discretely presented component units as of June 30, 2016), 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.

Emphasis of Matter

As discussed in notes A and G of the financial statements, the net position as of January 1, 2016 was increased by \$4,230,122 to adjust for a reduction in the County's Total Pension Liability and Net Pension Liability. This increase is a result of the County correcting its calculation of members' reserves liability and service costs.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in the county's net pension liability (assets) and related ratios, and budgetary comparison information, as listed in the table of contents as required supplemental information, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards and the Pennsylvania Department of Human Services' financial schedules and exhibits as listed in the table of contents are presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the *Pennsylvania Department of Human Services Single Audit Supplement*, respectively, and are also not a required part of the basic financial statements.

The combining and individual non-major fund financial statements, the schedule of expenditures of federal awards, and the Pennsylvania Department of Human Services' financial schedules and exhibits are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, and the procedures performed as described above, the combining and individual non-major fund financial statements, the schedule of expenditures of federal awards, and the Pennsylvania Department of Human Services' financial schedules and exhibits are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

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

The Binkley Kanavy Group, LLC

Certified Public Accountants
Pittsburgh, Pennsylvania
September 27, 2017

COUNTY OF BEAVER, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2016 AND JUNE 30, 2016

As management of the County of Beaver (the County), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

Financial Highlights of the Year Ended December 31, 2016

- The General Fund incurred a financial match responsibility of approximately \$3.6 million for its human and community services funded primarily through state and federal grants and entitlements. The equivalent amount for 2015 was about \$3.4 million.
- The County issued a \$13 million Tax Revenue Anticipation Note on January 4, 2016, to provide for short-term financing needs, including those resulting from the Pennsylvania Commonwealth's 2015-2016 fiscal year budget impasse.
- The County's overall long-term debt increased by about \$15.5 million during the year. The increase can be attributed to an early retirement incentive option that the County offered in April 2016, and a significant refinancing of various bonds and a capital lease, as further described in Note J. Despite the increased principal amount, the total cash outflows to satisfy long-term debt decreased significantly. The refinancing of several County bond issues decreased the cash outflow by close to \$7 million in 2016 and is set to reduce future payments due by another \$2.6 million through the year 2032. Other savings were achieved and are expected to be achieved by means of the early retirement incentive accepted by eligible employees.
- Funding from intergovernmental sources experienced a reversal of prior trends in most areas of the County. Operating grants and contributions increased about \$10 million or 13% from the amount recorded in 2015. Only public safety experienced a decrease from 2015.
- The County invested roughly \$4.0 million in capital assets and infrastructure, allocated approximately as follows:
 - \$774,000 related to renovating the Human Services Building, which accommodated new tenants in 2016;
 - \$169,000 in renovation of park facilities;
 - \$400,000 for the addition of wireless telecommunications equipment at the Emergency Management Services facility;
 - \$2,053,000 in bridge infrastructure improvements through the County's Liquid Fuels fund;
 - \$105,000 in vehicle purchases and major repairs - primarily at the Department of Public Works and Waste Management;

COUNTY OF BEAVER, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2016 AND JUNE 30, 2016

- \$171,000 in computer hardware and software distributed among most functions throughout the County;
 - \$68,000 in various equipment purchases primarily related to modernizing the County's court system;
 - \$64,000 for the improvement of Emergency 911 Center communication towers located throughout the County;
 - \$169,000 in equipment and furniture and fixtures purchases at the Treasurer's, Waste Management, Hazardous Materials, and Office of Behavioral Health.
- Revenues of the General Fund exceeded expenditures by about \$4.9 million.
 - Real estate taxes, the County's main source of local revenue, increased by about \$1.3 million, or about 2.7% of 2015's real estate tax revenue, as recorded in each respective year on the Statement of Revenues, Expenditures, and Changes in Fund Balance.
 - The excess of expenses over revenues, other than real estate taxes, of the primary government was close to \$51.7 million, or about \$3.7 million less than the equivalent measure for 2015.
 - The pension asset recorded on the government-wide Statement of Net Position is \$681,667 as compared to a net pension liability of \$2,675,767 on December 31, 2015. The other items reported on the Statement of Net Position related to the performance of the County's employee retirement plan are the "net difference between projected and actual earnings on pension plan investments" at \$11,383,426 and \$15,177,901 as of December 31, 2016 and 2015, respectively, and "difference between expected and actual experience for pension plan" at \$4,452,796 and \$1,350,655 as of December 31, 2016 and 2015, respectively. See Note A for a description of changes affecting the measurement and reporting of certain pension-related items.
 - The interfund balance payable from Internal Service Funds to the General Fund was reduced by approximately \$900,000 from December 31, 2015 to December 31, 2016. This was achieved by a combination of factors in the administration of employee health care claims, such as increasing both the employer and employee charge rates. Claims incurred in 2016 have also been significantly lower than in 2015.
 - Revenues related to the collection of telephone surcharges for purposes of the 9-1-1 emergency system have increased by about \$1.5 million in 2016 as compared to 2015. These revenues are recorded in the County's Emergency Services 911 special revenue fund. Current legislation enabled a broader range of costs to be covered under this funding stream.

COUNTY OF BEAVER, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2016 AND JUNE 30, 2016

- Expansion of the federally sponsored Medicaid program into the County's HealthChoices function caused revenues to increase by about \$9 million and expenditures to increase by about \$7 million, as recorded in the HealthChoices' fund Statement of Revenues, Expenditures, and Changes in Fund Balance

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 supplementary information in addition to the basic financial statements themselves.

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-sector business.

The *Statement of Net Position* presents financial information on the entire County's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or 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 County'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 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 government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental 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 are general government; judicial; public safety; public works and enterprises; culture, recreation and conservation; human services; and economic development. The County has no business-type activity to report for the primary government.

COUNTY OF BEAVER, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2016 AND JUNE 30, 2016

The government-wide financial statements include not only the County itself (known as the *primary government*), but also two legally separate entities, the Beaver County Transit Authority and the Community College of Beaver County, for which the County provides subsidies and appoints their boards. Financial information for these *component units* are reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 20-21 of this report.

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 funds, proprietary funds, and fiduciary funds.

Governmental funds

This fund grouping is used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund 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. Immediately following both the governmental funds' Balance Sheet and the governmental funds' Statement of Revenues, Expenditures, and Changes in Fund Balances, is a statement that provides a reconciliation to facilitate a comparison between *governmental funds* and *governmental activities*.

The County maintains nineteen individual governmental funds. Information is presented separately in the governmental funds' Balance Sheet and in the governmental funds' Statement of Revenues, Expenditures, and Changes in Fund Balance for the General Fund, Mental Health / Intellectual Disabilities, Children & Youth, Community Development, and the HealthChoices Fund, all of which are considered to be major funds. Data from the other fourteen governmental funds are combined into a single aggregate presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining schedules. The County adopts an annual appropriated budget for each of its governmental funds.

COUNTY OF BEAVER, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2016 AND JUNE 30, 2016

The basic governmental funds' financial statements can be found on pages 22-25 of this report. The combining and individual fund schedules for the non-major governmental funds are presented following the required supplementary information. They can be found on pages 116-119 of this report.

Proprietary funds

Proprietary funds are comprised of enterprise funds and internal service funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County does not have any enterprise funds to report on. *Internal service funds* are used to accumulate and allocate costs internally among the County's various functions.

The County uses Internal Service Funds to account for the medical benefits of the County's employees and to account for workers' compensation costs. The County adopts an annual budget for the two funds used to account for these costs.

Proprietary funds provide the same type of information as is presented on the government-wide financial statements, only in more detail. The proprietary fund's financial statements provide separate information for the County's Internal Service Funds.

The basic proprietary funds' financial statements can be found on pages 26-28 of this report.

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the reporting 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 much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 29-30 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31-104 of this report.

COUNTY OF BEAVER, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2016 AND JUNE 30, 2016

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's pension liability, contributions, investment returns and other information and budgetary comparison schedules for the General Fund and other major governmental funds. Required supplementary information can be found on pages 105-114 of this report.

Government-wide Financial Analysis

This analysis focuses on the *primary government*, as defined on page 7. Separate financial statements for the County's component units, including their managements' discussion and analysis, can be obtained from the component units at the addresses disclosed in Note A.

Analysis of Net Position

As noted earlier, net position is a useful indicator of a government's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$20,044,232 at December 31, 2016. After restatement as discussed in further detail in notes A and G of the financial statements, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$23,252,699 and \$34,809,032, at January 1, 2016, and 2015, respectively.

COUNTY OF BEAVER, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2016 AND JUNE 30, 2016

County of Beaver's Statement of Net Position (in thousands)

The following is a summary of the primary government as presented on the County's Statement of Net Position as of December 31, 2016 and 2015:

	2016	2015*
Assets:		
Current and Other Assets	\$ 56,024	\$ 61,924
Capital Assets	114,092	114,935
Total Assets	<u>170,116</u>	<u>176,859</u>
Deferred Outflows of Resources:		
Deferred Charge on Refunding Debt	\$ 9,896	\$ 671
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	11,383	15,178
Total Deferred Outflows of Resources	<u>21,279</u>	<u>15,849</u>
Liabilities:		
Long-Term Liabilities	\$ 139,086	\$ 126,240
Other Liabilities	27,812	41,866
Total Liabilities	<u>166,898</u>	<u>168,106</u>
Deferred Inflows of Resources:		
Difference Between Expected and Actual Experience for Pension Plan	\$ 4,453	\$ 1,350
Total Deferred Inflows of Resources	<u>4,453</u>	<u>1,350</u>
Net Position:		
Net Investment in Capital Assets	19,719	19,773
Restricted	26,792	25,606
Unrestricted	<u>(26,467)</u>	<u>(22,127)</u>
Total Net Position	<u>\$ 20,044</u>	<u>\$ 23,252</u>

*As restated due to a change in the actuarial valuation, as further described in Note A.

A significant portion of the County's net position is largely restricted for mental and behavioral health programs for debt service. Another major portion of net position is represented by the County's investment in capital assets.

COUNTY OF BEAVER, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2016 AND JUNE 30, 2016

County of Beaver's Statement of Activities (in thousands)

The following summarizes the primary government as presented on the County's Statement of Activities for the years ended December 31, 2016 and 2015:

	2016	2015*
Program Revenues:		
Fees and Charges	\$ 17,025	\$ 16,258
Operating Grants and Contributions	93,484	83,048
General Revenues:		
Real Estate Taxes	48,325	46,246
Investment Income	196	169
Total Revenues	<u>159,030</u>	<u>145,721</u>
Program Expenses:		
General Government	12,695	13,700
Judicial	18,244	18,402
Public Safety	22,381	22,558
Public Works and Enterprises	5,474	6,408
Culture and Recreation	3,288	3,674
Human Services	87,938	81,746
Economic Development	5,123	4,529
Interest Expense	7,017	6,261
Total Expenses	<u>162,160</u>	<u>157,278</u>
Excess (Deficiency) Before Other Items and Transfers	(3,130)	(11,557)
Special Item:		
Disposal of Capital Assets	(78)	-
Change in Net Position	<u>(3,208)</u>	<u>(11,557)</u>
Net Position - Beginning	<u>23,252</u>	<u>34,809</u>
Net Position - Ending	<u>\$ 20,044</u>	<u>\$ 23,252</u>

*As restated due to a change in the actuarial valuation, as further described in Note A.

COUNTY OF BEAVER, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2016 AND JUNE 30, 2016

Changes in Net Position

The County's net position for governmental activities decreased by approximately \$3.2 million and \$11.6 million for the years ended December 31, 2016 and 2015, respectively, after restatement, as further described in Note A.

The County's expenses cover a wide range of services. The largest share of expenses continues to be incurred for Human Services.

Analysis of Changes in Net Position

The financial undertakings of the County's primary government are comprised entirely of governmental activities in 2016 and 2015. The current year's increase in net position is explained in the discussion that follows below.

There are a number of reasons that explain the change in net position for the year ended December 31, 2016. One of those reasons was an increase in real estate tax revenues from the previous year of roughly \$2.1 million. Another major factor was a decrease in subsidies provided to other entities and the termination of miscellaneous service contracts, which combined reduced general government expenses. The County also offered an early retirement program to eligible employees that reduces wages and benefits in total when compared to equivalent expenditures of 2015. In addition, operating grants and contributions increased about \$10.4 million from 2015 due mostly to complications arising from the budget impasse at the Commonwealth of Pennsylvania in 2015 and the expansion of Medicaid for HealthChoices-eligible individuals. On the other hand, actuarial performance of the pension plan caused a deterioration of net position in 2016. Lower claims experience in employee medical benefits and increased revenue generation for medical and employee injury claims aided in improving net position. Finally, a significant increase in the amount and type of reimbursable emergency services expenses from surcharge fees distributed by the Commonwealth also generated improved results during the current year.

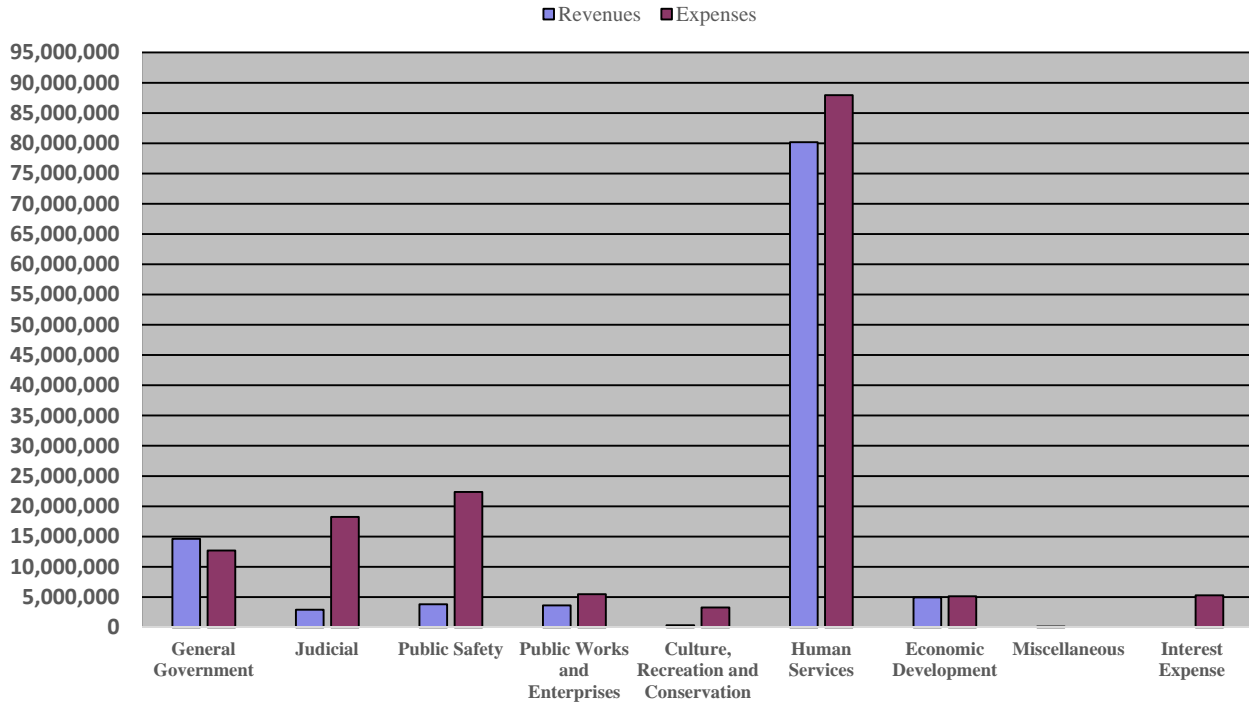
COUNTY OF BEAVER, PENNSYLVANIA

MANAGEMENT’S DISCUSSION AND ANALYSIS

DECEMBER 31, 2016 AND JUNE 30, 2016

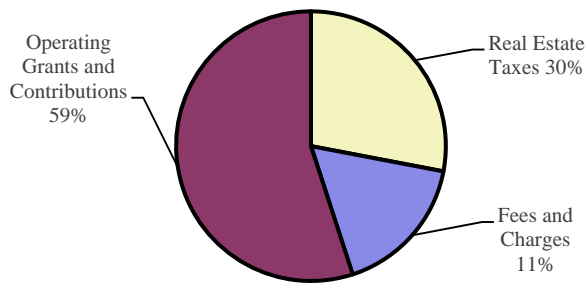
The table below depicts the behavior of the various governmental functions’ revenues and expenses described above:

Expenses and Program Revenue - Primary Government



The revenue mix of the County’s governmental activities remained fairly constant when compared with 2015. Approximately 59% of the County’s revenue originated from operating grants and contributions, 11% from fees and charges, and 30% from taxes on real estate during 2016. The corresponding figures for 2015 were roughly 57%, 11%, and 32%, respectively.

Revenues by Source - Governmental Activities



COUNTY OF BEAVER, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2016 AND JUNE 30, 2016

Business-type Activities

With the sale of the County's former long-term healthcare facility in February 2014, the County ceased to report business-type activities.

Financial Analysis of the County's Individual Funds

Governmental Funds

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

At December 31, 2016, the County's governmental funds reported a combined ending fund balance of \$29,848,054, which represents an increase of \$5,719,211 in comparison to the previous year. The ending fund balance is segregated into the following categories with its corresponding balances: non-spendable for prepaid assets, \$1,893,813; restricted, \$26,411,138; committed, \$1,051,098; assigned, \$409,906 and unassigned, \$81,649. The terms used to classify fund balance and their significance are further described and defined in Note A to the financial statements. Also in Note A is presented a breakdown of restricted fund balance into specific programs.

The overall increase in fund balance of the governmental funds is attributed primarily to the \$12.7 million increase in revenues of the General Fund when compared to 2015. As explained in the Analysis of Changes in Net Position, this is the direct result of a significant increase in grants and contributions, as well as a slight increase in real estate tax revenues.

The Mental Health / Intellectual Disabilities fund experienced a slight increase in revenues during 2016. The increase in revenues was offset by an increase in program expenditures resulting in an increase in fund balance of approximately \$509,000 as compared to the net increase in fund balance of \$536,000 experienced during 2015.

The Children & Youth fund experienced a decrease in revenues of about \$163,000. The decrease in revenues, coupled with an increase in expenditures of about \$368,000, generated a decrease of fund balance by approximately \$250,000 in 2016. As is generally the case for all human services agencies of the County, it was expected that gains that had been realized in 2015 were to be applied against expenditures of future years' operating budgets.

COUNTY OF BEAVER, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2016 AND JUNE 30, 2016

Community Development experienced an increase of about 11% in total revenues in 2016, which reverses a trend of intergovernmental funding cuts in prior years, amounting to about a 14% decrease in funding in 2015. The fund's management continues to adjust to the changing funding circumstances and it was able to provide additional services in 2016, while managing to increase fund balance by about \$102,000.

HealthChoices has seen an increase in both its program revenues and expenditures necessitated by community needs and an increase in clients served as a result of Medicaid Expansion. As such, in 2016, fund balance increased by about \$1.8 million, leaving a fund balance of approximately \$13.5 million at December 31, 2016. This fund is separately audited each year based on the Commonwealth's Department of Human Services HealthChoices Examination Guide for the Behavioral Health Program. A complete report is submitted to the Commonwealth for approval.

The other governmental funds experienced a combined net decrease in fund balance of about \$421,000 as compared to the \$251,000 net decrease in fund balance for the year 2015. This is mainly the result of roughly \$587,000 in capital expenditures of the Capital Projects Funds. This compares to the net decrease in fund balance of \$681,000 experienced by the Capital Projects Funds in 2015.

Proprietary Funds – Internal Service Funds

The County's internal service funds reversed their trend of decreasing net position. This is the result of expenses - medical claims, workers' compensation claims, insurance premiums, and administration costs – not outpacing the level of related revenues designated for collection. For the year ended December 31, 2016, the net gain combined for the Medical Fund and the Workers' Compensation Fund amounted to near \$648,000. In the immediately preceding year net loss of approximately \$1.7 million was recorded.

Fiduciary Funds

The County maintains fiduciary funds for the Pension Trust Fund and several Agency Funds. The Pension Trust Fund's net position increased approximately \$6.3 million in 2016 and it decreased nearly \$11 million in 2015. The appreciation in the fair value of investments in 2016 amounted to \$18.2 million, generating a negative variance from the immediately preceding year of nearly \$21 million. This increase in fair value of investments is, however, not out of line with the domestic investment performance for publicly traded securities in 2016. The Pension Trust Fund has a \$290 million balance in net position as of December 31, 2016.

COUNTY OF BEAVER, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2016 AND JUNE 30, 2016

General Fund Budgetary Highlights

During any given year there are many factors that may change a budget from the *original* approved version to the *final* ending version. There may be changes in policies, revenue sources or unexpected events that have a financial impact upon the County and require that the budget be adjusted to reflect those circumstances.

The General Fund's budgeted revenues were decreased by about \$1.6 million since the passing of the original 2016 budget in February of 2016. An adjustment was made to increase Departmental Earnings to adjust the original budgeted amount related to the Actuarially Determined Contribution for Pension for 2016. Miscellaneous Revenues were adjusted to net reimbursement revenues against expenses. Actual revenues were about \$528,000 lower than final amended budgeted revenues, principally due to lower than expected real estate taxes, intergovernmental grants and miscellaneous income, and higher than expected departmental earnings. Budgeted expenditures were decreased from the initial \$62.1 million to close to \$58.6 million, primarily due to a reduction in debt service payments that resulted from the refinancing of certain bonds issuances in April of 2016. Despite the amendments in budgeted expenditures, the actual expenditures in the categories of general government, judicial, public safety, public works and enterprises, and culture, recreation, and conservation were a combined \$510,000 lower than the final amended budgeted expenditures in those same categories. Overall, aggregate final amended expenditures were \$771,000 more than actual expenditures of the General Fund.

Budgetary restrictions continue to be enforced across departments of the General Fund. Along with long-term debt restructuring and personnel retirement incentives, the County continues to search for new revenue sources in order to reverse its current financial trend.

COUNTY OF BEAVER, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2016 AND JUNE 30, 2016

County of Beaver's Capital Assets (in thousands and net of accumulated depreciation)

What follows is a summary of the capital assets recorded in the County's primary government as of December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Assets not Being Depreciated	\$ 1,758	\$ 2,215
Buildings and Improvements	51,050	51,891
Vehicles	1,132	1,526
Furniture and Equipment	5,667	6,163
Infrastructure	<u>53,803</u>	<u>53,140</u>
Total	<u>\$ 113,410</u>	<u>\$ 114,935</u>

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

County of Beaver's Outstanding Long-Term Debt (excluding net pension liability)

The following is a summary of the County's outstanding long-term debt, excluding the net pension liability, as of December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Governmental Activities:		
General obligation debt	\$ 117,635,000	\$ 63,180,000
Other long-term debt	20,544,419	61,606,581
(Discount)/Premium	<u>906,930</u>	<u>(1,221,704)</u>
Total	<u>\$ 139,086,349</u>	<u>\$ 123,564,877</u>

The County's general obligation bond rating from Standard and Poor's for its most recent issue is 'A-', resulting from its most recent bond issue, the General Obligation Bonds of 2016, Series A and B. This reflects a downgrade from the previous 'A' rating.

COUNTY OF BEAVER, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2016 AND JUNE 30, 2016

Economic Factors

Budget cuts affecting the federal and the Commonwealth's governments as well as the possibility of another state-level budget impasse are likely to continue affecting the various departments and programs throughout the County during 2017. The County has already implemented significant cost-cutting measures for 2017 and beyond, such as the abolishment of the Jury Commissioners' Office. The multi-billion dollar investment expected from the construction of an ethane cracker plant and its subsequent operation within Beaver County is sure to enhance the County's revenues as well as its residents' quality of life. The County's management continues to actively address financial challenges into the future by searching for economic opportunities while optimizing the use of available resources.

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 them. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Office of the Controller
Beaver County Courthouse
810 Third Street
Beaver, Pennsylvania 15009-2196

BASIC FINANCIAL STATEMENTS

COUNTY OF BEAVER, PENNSYLVANIA

STATEMENT OF NET POSITION

DECEMBER 31, 2016 or JUNE 30, 2016

	Primary Government	Component Units	
	Governmental Activities	Beaver County Transit Authority as of June 30, 2016	Community College of Beaver County as of June 30, 2016
Assets			
Current Assets			
Cash and Cash Equivalents	\$ 25,338,280	\$ 2,810,051	\$ 1,573,568
Restricted Cash	11,573,948	-	2,936,557
Restricted Investments	6,097,239	-	-
Receivables	11,121,556	4,311,863	1,871,893
Supplies	-	334,539	26,896
Prepaid Items	1,893,813	98,346	221,133
Total Current Assets	56,024,836	7,554,799	7,954,463
Non-Current Assets			
Land and Land Improvements	1,757,554	3,774,575	1,728,515
Buildings and Improvements	89,775,817	17,124,667	47,041,385
Construction in Progress	-	7,102	2,549,220
Vehicles	5,053,170	14,175,658	251,942
Furniture and Equipment	21,270,063	1,574,486	12,007,154
Infrastructure	69,874,567	-	-
Accumulated Depreciation	(74,321,259)	(18,011,315)	(29,934,882)
Net Pension Asset	681,667	-	-
Total Non-Current Assets	114,091,579	18,645,173	33,643,334
Total Assets	170,116,415	26,199,972	41,597,797
Deferred Outflows of Resources			
Deferred Charge on Refunding Debt	9,896,005	-	73,145
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	11,383,426	-	206,797
Total Assets and Deferred Outflows of Resources	\$ 191,395,846	\$ 26,199,972	\$ 41,877,739
Liabilities			
Current Liabilities			
Accounts Payable	\$ 11,467,217	\$ 193,001	\$ 983,823
Accrued Vacation	2,448,744	-	20,000
Accrued Interest	572,378	-	98,631
Advance from Agency Fund	408,216	-	-
Accrued Other Liabilities	4,989,079	273,220	1,488,251
Unearned Revenues	4,249,615	5,771,287	969,447
Accrued Other Employee Benefits	677,220	103,609	159,045
Accrued HealthChoices Program Costs	3,000,000	-	-
Long-Term Debt	6,125,123	-	1,834,092
Total Current Liabilities	33,937,592	6,341,117	5,553,289
Non-Current Liabilities			
Long-Term Debt	132,961,226	-	29,931,312
Net Pension Liability	-	-	2,339,000
Total Non-Current Liabilities	132,961,226	-	32,270,312
Total Liabilities	166,898,818	6,341,117	37,823,601
Deferred Inflows of Resources			
Difference Between Expected and Actual Experience for Pension Plan	4,452,796	-	185,000
Total Liabilities and Deferred Inflows of Resources	171,351,614	6,341,117	38,008,601
Net Position			
Net Investment in Capital Assets	19,718,592	18,645,173	5,530,091
Restricted for:			
Nonexpendable	-	-	1,663,505
Debt Service	6,097,239	-	-
Programs for Mental / Behavioral Health	12,996,544	-	-
Programs for Children & Youth	2,624,607	-	-
Programs for Community Development	223,944	-	-
Programs for Capital Projects	2,567,479	-	-
Programs for General Law Enforcement	620,605	-	-
Programs for Elderly Population	948,011	-	-
Programs for Office Improvements	556,532	-	-
Programs for Emergency Services / Tourism	156,789	-	-
Unrestricted	(26,466,110)	1,213,682	(3,324,458)
Total Net Position	\$ 20,044,232	\$ 19,858,855	\$ 3,869,138

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

COUNTY OF BEAVER, PENNSYLVANIA

STATEMENT OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2016 or JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Change in Net Position		
		Fees and Charges	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Units	
					Governmental Activities	Beaver County Transit Authority as of June 30, 2016	Community College of Beaver County as of June 30, 2016
Primary Government							
Governmental Activities							
General Government	\$ 12,694,109	\$ 11,094,162	\$ 3,522,233	\$ -	\$ 1,922,286	\$ -	\$ -
Judicial	18,243,486	574,181	2,323,076	-	(15,346,229)	-	-
Public Safety	22,381,343	3,391,361	406,434	-	(18,583,548)	-	-
Public Works and Enterprises	5,474,144	20,101	3,592,621	-	(1,861,422)	-	-
Culture, Recreation and Conservation	3,287,474	334,040	-	-	(2,953,434)	-	-
Human Services	87,938,362	1,183,180	79,003,675	-	(7,751,507)	-	-
Economic Development	5,123,114	294,401	4,636,169	-	(192,544)	-	-
Miscellaneous	-	133,753	-	-	133,753	-	-
Interest Expense	7,017,693	-	-	-	(7,017,693)	-	-
Total Governmental Activities	<u>162,159,725</u>	<u>17,025,179</u>	<u>93,484,208</u>	<u>-</u>	<u>(51,650,338)</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 162,159,725</u>	<u>\$ 17,025,179</u>	<u>\$ 93,484,208</u>	<u>\$ -</u>	<u>\$ (51,650,338)</u>	<u>\$ -</u>	<u>\$ -</u>
Component Units							
Beaver County Transit Authority	\$ 10,303,405	\$ 1,513,575	\$ 7,238,728	\$ 1,498,102	\$ -	\$ (53,000)	\$ -
Community College of Beaver County	27,400,088	11,225,272	16,395,865	-	-	-	221,049
Total Component Units	<u>\$ 37,703,493</u>	<u>\$ 12,738,847</u>	<u>\$ 23,634,593</u>	<u>\$ 1,498,102</u>	<u>\$ -</u>	<u>\$ (53,000)</u>	<u>\$ 221,049</u>
					General Revenues		
					Real Estate Taxes		
					\$ 48,324,708	\$ -	\$ -
					Investment Income (Loss)		
					196,225	-	(4,981)
					Gain (Loss) on Disposal of Capital Assets		
					(78,062)	16,921	-
					Total General Revenues		
					48,442,871	16,921	(4,981)
					Change in Net Position		
					(3,207,467)	(36,079)	216,068
					Net Position - Beginning, as restated		
					23,251,699	19,894,934	3,653,070
					Net Position - Ending		
					<u>\$ 20,044,232</u>	<u>\$ 19,858,855</u>	<u>\$ 3,869,138</u>

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

COUNTY OF BEAVER, PENNSYLVANIA

BALANCE SHEET GOVERNMENTAL FUNDS

DECEMBER 31, 2016

	General	Mental Health/ Intellectual Disabilities	Children & Youth	Community Development	HealthChoices	Other Governmental Funds	Total Governmental Funds
Assets							
Cash and Cash Equivalents	\$ 4,203,008	\$ 1,305,453	\$ 629,972	\$ 1,193,374	\$ 10,411,495	\$ 6,798,570	\$ 24,541,872
Cash - Restricted	639,607	-	-	-	10,934,341	-	11,573,948
Investments - Restricted	6,097,239	-	-	-	-	-	6,097,239
Prepaid Items	168,172	119,000	-	-	1,580,490	26,151	1,893,813
Receivables	987,499	1,673,322	1,313,229	637,746	110,582	2,100,089	6,822,467
Interfund Receivable	4,293,690	429,008	2,066,510	-	245	397,041	7,186,494
Total Assets	\$ 16,389,215	\$ 3,526,783	\$ 4,009,711	\$ 1,831,120	\$ 23,037,153	\$ 9,321,851	\$ 58,115,833
Liabilities							
Accounts Payable	\$ 1,701,961	\$ 2,010,756	\$ 1,240,752	\$ 764,777	\$ 4,014,974	\$ 491,526	\$ 10,224,746
Interfund Payable	3,296,612	245	-	108,682	1,657	1,099,415	4,506,611
Accrued Wages and Payroll Costs	1,152,156	148,901	144,352	18,763	20,254	144,023	1,628,449
Accrued Other Liabilities	702,023	-	-	-	2,516,730	141,877	3,360,630
Accrued HealthChoices Program Costs	-	-	-	-	3,000,000	-	3,000,000
Unearned Revenue	2,212,315	154,385	-	714,954	-	1,167,961	4,249,615
Total Liabilities	9,065,067	2,314,287	1,385,104	1,607,176	9,553,615	3,044,802	26,970,051
Deferred Inflows of Resources							
Unavailable Revenue	178,840	-	627,595	-	-	491,293	1,297,728
Fund Balances (Deficits)							
Non-Spendable: Prepaid items	168,172	119,000	-	-	1,580,490	26,151	1,893,813
Restricted:							
Debt Service	6,097,239	-	-	-	-	-	6,097,239
Programs for Mental / Behavioral Health	-	1,093,496	-	-	11,903,048	-	12,996,544
Programs for Children & Youth	-	-	1,997,012	-	-	-	1,997,012
Programs for Community Development	-	-	-	223,944	-	-	223,944
Other	241,660	-	-	-	-	4,854,739	5,096,399
Committed:							
Capital Projects	-	-	-	-	-	1,051,098	1,051,098
Assigned:							
Purchases on Order	12,409	-	-	-	-	-	12,409
Other	397,947	-	-	-	-	-	397,947
Unassigned:	227,881	-	-	-	-	(146,232)	81,649
Total Fund Balances	7,145,308	1,212,496	1,997,012	223,944	13,483,538	5,785,756	29,848,054
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 16,389,215	\$ 3,526,783	\$ 4,009,711	\$ 1,831,120	\$ 23,037,153	\$ 9,321,851	\$ 58,115,833

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

COUNTY OF BEAVER, PENNSYLVANIA

RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO THE STATEMENT OF NET POSITION

DECEMBER 31, 2016

Total Fund Balances - Governmental Funds	\$	29,848,054
Receivables for real estate taxes not available to pay for current period expenditures, and therefore, are deferred in the funds.		4,131,471
Grant revenues not available to pay for current period expenditures, and therefore, are deferred in the funds.		1,297,728
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.		
Land	1,757,554	
Buildings and improvements	89,775,817	
Vehicles	5,053,170	
Furniture and equipment	21,270,063	
Infrastructure	69,874,567	
Accumulated depreciation	<u>(74,321,259)</u>	113,409,912
Accrued interest and accrued vacation payable are not recognized in the governmental funds.		
Accrued interest payable	(572,378)	
Accrued vacation payable	<u>(2,448,744)</u>	(3,021,122)
Non-current liabilities are not due nor payable in the current period, and therefore, are not reported in the funds. These liabilities consist of:		
General obligation bonds payable	(117,635,000)	
Other general long-term liabilities -		
PFA Series of 2012	(2,920,000)	
PFA Series 2013	(8,725,000)	
DCED General Obligation Note	(27,532)	
Premium	(906,930)	
Capital Lease Obligation	(5,960,758)	
Accrued sick and early termination benefits payable	<u>(2,911,129)</u>	(139,086,349)
Deferred Charges on Refunding Debt		9,896,005
The net pension asset, and deferred inflows and outflows of resources for pension-related items are not recorded on the fund financial statements.		7,612,297
An internal service fund is used by management to account for medical benefits and workers compensation of the County employees. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position.		<u>(4,043,764)</u>
Total Net Position of Governmental Activities	\$	<u><u>20,044,232</u></u>

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

COUNTY OF BEAVER, PENNSYLVANIA

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

FOR THE YEAR ENDED DECEMBER 31, 2016

	General	Mental Health/ Intellectual Disabilities	Children & Youth	Community Developmen	HealthChoices	Other Governmental Funds	Total Governmental Funds
Revenues							
Real Estate Taxes	\$ 48,172,039	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 48,172,039
Licenses and Permits	146,785	-	-	-	-	-	146,785
Interest and Rents	151,079	6,381	127	114	36,556	1,926	196,183
Intergovernmental Revenue	4,168,072	17,015,417	12,330,073	4,636,169	44,885,963	10,775,093	93,810,787
Departmental Earnings	10,796,821	1,109,901	46,843	294,401	-	4,496,670	16,744,636
Local Hotel Room Tax	-	-	-	-	-	319,265	319,265
Miscellaneous	129,836	-	-	-	-	3,917	133,753
Total Revenues	63,564,632	18,131,699	12,377,043	4,930,684	44,922,519	15,596,871	159,523,448
Expenditures							
Current							
General Government	10,229,240	-	-	-	-	151,230	10,380,470
Judicial	13,443,342	-	-	-	-	3,406,974	16,850,316
Public Safety	16,125,456	-	-	-	-	3,339,033	19,464,489
Public Works and Enterprises	3,268,576	-	-	-	-	646,952	3,915,528
Culture, Recreation, and Conservation	2,561,103	-	-	-	-	268,358	2,829,461
Economic Development	-	-	-	4,828,439	-	-	4,828,439
Intergovernmental							
Human Services	7,037,127	18,241,175	14,408,100	-	43,127,855	4,925,824	87,740,081
Debt Service							
Principal	1,506,871	-	-	-	-	-	1,506,871
Interest	2,476,450	-	-	-	-	-	2,476,450
Bond Issuance Costs	1,152,441	-	-	-	-	-	1,152,441
Infrastructure Acquisition and Improvement	-	-	-	-	-	2,052,984	2,052,984
Capital Asset Acquisition and Improvement	830,350	141,512	19,255	-	16,807	913,734	1,921,658
Total Expenditures	58,630,956	18,382,687	14,427,355	4,828,439	43,144,662	15,705,089	155,119,188
Excess (Deficiency) of Revenue:							
Over (Under) Expenditures	4,933,676	(250,988)	(2,050,312)	102,245	1,777,857	(108,218)	4,404,260
Other Financing Sources (Uses)							
Proceeds of Refunding Bonds	114,640,000	-	-	-	-	-	114,640,000
Payments to Refunded Bond Escrow Agents	(114,298,594)	-	-	-	-	-	(114,298,594)
Original Issue Premium	973,545	-	-	-	-	-	973,545
Transfers from Other Funds	1,288,202	759,532	1,799,827	-	-	978,377	4,825,938
Transfers to Other Funds	(3,534,536)	-	-	-	-	(1,291,402)	(4,825,938)
Total Other Financing Sources (Uses)	(931,383)	759,532	1,799,827	-	-	(313,025)	1,314,951
Net Change in Fund Balance	4,002,293	508,544	(250,485)	102,245	1,777,857	(421,243)	5,719,211
Fund Balances - Beginning	3,143,015	703,952	2,247,497	121,699	11,705,681	6,206,999	24,128,843
Fund Balances - Ending	\$ 7,145,308	\$ 1,212,496	\$ 1,997,012	\$ 223,944	\$ 13,483,538	\$ 5,785,756	\$ 29,848,054

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

COUNTY OF BEAVER, PENNSYLVANIA

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

FOR THE YEAR ENDED DECEMBER 31, 2016

Net Change in Fund Balances - Total Governmental Funds	\$	5,719,211
Revenue timing differences resulted in more revenue for real estate taxes in the Statement of Activities.		152,669
Revenue timing differences resulted in less grant revenue in the Statement of Activities due to the period of availability of the funds.		(673,307)
The differences due to capital assets are as follows:		
1. Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay and donated assets	\$ 4,002,110	
Depreciation expense	<u>(5,449,369)</u>	(1,447,259)
2. The effect of the disposals and transfers of capital assets is to change net position by the net book value of the disposed or transferred assets.		
Net book value of disposed assets		(78,062)
Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in the governmental funds.		
Changes in accrued interest payable	1,914,726	
Changes in accrued vacation payable	<u>392,648</u>	2,307,374
The difference due to non-current liabilities are as follows:		
1. The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.		
Proceeds of refunding bonds	(114,640,000)	
Payments to refunded bond escrow agents	100,058,946	
Original issue premium	(973,545)	
Bond principal payments	1,420,828	
Capital lease obligation payments	<u>356,946</u>	(13,776,825)
2. Governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.		
Amortization of bond discounts/premium		28,634
3. The expense for sick leave and early termination benefits does not require the use of current financial resources. These items are reported as a non-current liability in the Statement of Net Position.		
		(1,773,281)
The deferred amount on refunding		
2016 amortization		(3,227,287)
Increase related to 2016 refunding		12,451,970
Changes in the net pension liability and related deferred inflows and outflows of resources do not affect current financial resources and therefore are not reflected on the fund statements.		
		(3,539,183)
An internal service fund is used by management to account for medical and workers' compensation benefits of the County employees. The net change in activity of the internal service fund is reported with governmental activities.		
		<u>647,879</u>
Change in Net Position of Governmental Activities	\$	<u><u>(3,207,467)</u></u>

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

COUNTY OF BEAVER, PENNSYLVANIA

STATEMENT OF NET POSITION PROPRIETARY FUNDS

DECEMBER 31, 2016

	<u>Governmental Activities Internal Service Funds</u>
<u>Assets</u>	
Current Assets	
Cash and Cash Equivalents	\$ 796,408
Receivables	<u>167,618</u>
Total Current Assets	<u>964,026</u>
Total Assets	<u><u>\$ 964,026</u></u>
<u>Liabilities</u>	
Current Liabilities	
Accounts Payable	\$ 1,242,471
Interfund Payable	3,088,099
Accrued Employee Benefits	<u>677,220</u>
Total Current Liabilities	<u>5,007,790</u>
Total Liabilities	<u>5,007,790</u>
<u>Net Position</u>	
Unrestricted	<u>(4,043,764)</u>
Total Net Position	<u><u>\$ (4,043,764)</u></u>

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

COUNTY OF BEAVER, PENNSYLVANIA
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2016

	Governmental Activities Internal Service Funds
<u>Operating Revenues</u>	
Charges for Services	\$ 11,725,387
Total Operating Revenues	11,725,387
<u>Operating Expenses</u>	
Costs of Services	10,207,022
Administrative	870,528
Total Operating Expenses	11,077,550
Operating Income	647,837
<u>Non-Operating Revenues</u>	
Investment Income	42
Total Non-Operating Revenues	42
Change in Net Position	647,879
Total Net Position - Beginning	(4,691,643)
Total Net Position - Ending	\$ (4,043,764)

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

COUNTY OF BEAVER, PENNSYLVANIA

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2016

	Governmental Activities Internal Service Funds
<u>Cash Flows from Operating Activities</u>	
Cash receipts for services provided	\$ 11,545,043
Cash payments to suppliers	(10,316,061)
Net Cash Provided by Operating Activities	<u>1,228,982</u>
<u>Cash Flows from Non-Capital Financing Activities</u>	
Payments for the loan provided by the County	(667,617)
Net Cash (Used in) Non-Capital Financing Activities	<u>(667,617)</u>
<u>Cash Flows from Investing Activities</u>	
Investment Income	42
Net Cash Provided by Investing Activities	<u>42</u>
Net Increase in Cash and Cash Equivalents	561,407
<u>Cash and Cash Equivalents</u>	
Beginning of year	235,001
End of year	<u>\$ 796,408</u>
<u>Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities</u>	
Operating Income	\$ 647,837
Change in operating assets and liabilities:	
Accounts receivable	(166,724)
Accounts payable	889,053
Accrued Liabilities	(141,184)
Net Cash Provided by Operating Activities	<u>\$ 1,228,982</u>

Disclosure of Accounting Policy

For purposes of the Statement of Cash Flows, the Primary Government considers all highly liquid investments with a maturity of three months or less when acquired to be cash equivalents.

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

COUNTY OF BEAVER, PENNSYLVANIA

STATEMENT OF NET POSITION FIDUCIARY FUNDS

DECEMBER 31, 2016

	Pension Trust Fund	Agency Funds
<u>Assets</u>		
Cash and Cash Equivalents	\$ 8,374,980	\$ 2,688,734
Cash and Cash Equivalents Held as Collateral	10,516,181	-
Interest and Dividends Receivable	490,170	-
Receivables	-	408,216
Investments:		
Common and Preferred Stocks	147,855,493	-
Certificates of Deposit	2,723,391	-
U.S. and Local Government Obligations	22,121,138	-
Corporate Bonds	29,600,672	-
Other Debt Securities	5,450,156	-
Registered Investment Companies	35,625,354	-
Interest in Limited Partnership	8,960,376	-
Interest in Collective Trust	29,237,916	-
Total Investments	281,574,496	-
Total Assets	\$ 300,955,827	\$ 3,096,950
<u>Liabilities</u>		
Accounts Payable	\$ 213,028	\$ 3,096,950
Collateral Obligation	10,516,181	-
Total Liabilities	10,729,209	3,096,950
<u>Net Position</u>		
Net Position Restricted for Pensions	290,226,618	-
Total Net Position	\$ 290,226,618	\$ -

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

COUNTY OF BEAVER, PENNSYLVANIA
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Pension Trust Fund</u>
<u>Additions</u>	
Contributions	
Member	\$ 3,278,822
Employer	<u>1,265,160</u>
Total Contributions	<u>4,543,982</u>
Investment Income	
Net Appreciation in Fair Value of Investments	18,163,207
Interest and Dividends	5,548,061
Less: Investment Management and Actuarial Fees	<u>(924,151)</u>
Net Income from Investment Activities (except for securities lending)	22,787,117
Security Lending Activities	
Interest from Collateral	43,958
Security Lending Premiums	111,983
Less: Rebates and Fees	<u>(48,141)</u>
Net Income from Security Lending Activities	107,800
Net Investment Income	<u>22,894,917</u>
Total Additions	<u>27,438,899</u>
<u>Deductions</u>	
Benefits Paid to Plan Members and Beneficiaries (including refunds of member contributions)	20,842,290
Administrative Expenses	<u>230,308</u>
Total Deductions	<u>21,072,598</u>
Net Increase in Net Position	6,366,301
<u>Net Position Restricted for Pensions</u>	
Beginning of Year	<u>283,860,317</u>
End of Year	<u><u>\$ 290,226,618</u></u>

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

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND JUNE 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the County of Beaver, Pennsylvania (the County), have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The significant accounting policies are described below.

1. Organization and Reporting Entity

The organization of the County and the basis of the reporting entity are presented below to assist the reader in evaluating the financial statements and the accompanying notes.

The County was founded as a subdivision of the Commonwealth of Pennsylvania under Title XVI of the Pennsylvania Statutes. The County operates under an elected three member Board of Commissioners and it provides the following services as authorized by Pennsylvania's County Code: public safety, judicial, medical, human services, economic development, and culture and recreation.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 61, the County has evaluated all related entities (authorities, commissions, and affiliates) for possible inclusion in the financial reporting entity.

Discretely Presented Component Units

The component unit columns in the government-wide financial statements include individual financial data for the Beaver County Transit Authority (BCTA) and the Community College of Beaver County (CCBC). Financial information of these units is reported in separate columns to emphasize that they are legally separate from the County. They are component units because of the significance of their operations or financial relationships with the County. Their boards are appointed by the County Commissioners and they receive significant operating subsidies from the County. Complete and more detailed financial statements of these component units can be obtained from:

Beaver County Transit Authority
200 W. Washington Street
Rochester, PA 15074

Community College of Beaver County
Controller's Office
One Campus Drive
Monaca, PA 15061

The reporting period for BCTA and CCBC is as of and for the year ended June 30, 2016.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND JUNE 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

1. Organization and Reporting Entity - Continued

Summary of Significant Accounting Policies for BCTA

General Policy – The financial statements of BCTA have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Basis of Accounting – BCTA accounts for expenses using the accrual method of accounting. Grant revenue is recognized when the corresponding grant purpose expense is incurred. Grant monies received before the revenue recognition criteria have been met are reported as unearned revenue. BCTA's practice is to record grants as receivables and unavailable revenue at the time the grants are awarded. Passenger fares are recorded when received. All other revenues are recognized when earned. Assets are depreciated using the straight-line method over their estimated useful lives.

Summary of Significant Accounting Policies for CCBC

General Policy – CCBC prepares its financial statements in accordance with generally accepted accounting principles for public colleges and universities as outlined by GASB. In accordance with GASB, CCBC elects to report its financial activities as Business-Type Activities only. Inter-fund activity within CCBC has been eliminated in the preparation of the financial statements.

Basis of Accounting – CCBC prepares its financial statements using the accrual basis of accounting. Under this method, revenue is recognized when earned and expenses are recognized when the obligation to pay is incurred. Assets are depreciated using the straight-line method over their estimated useful lives.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND JUNE 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

1. Organization and Reporting Entity - Continued

Related Organizations

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

- Beaver County Agricultural Land Preservation Board
- Beaver County Airport Authority
- Beaver County Conservation District
- Beaver County Economic Development Authority
- Beaver County Hospital Authority
- Beaver County Housing Authority
- Beaver County Industrial Development Authority
- Beaver County Job Training
- Beaver County Redevelopment Authority
- Pennsylvania Finance Authority
- Southwestern Pennsylvania Commission
- Workforce Investment Board

2. Government-Wide Financial Statements and Fund Financial Statements

Government-Wide 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. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which primarily rely on fees and charges for support. Activities of the internal service funds are eliminated to avoid “doubling up” revenues and expenses. The entire deficit of the internal service funds was recorded as an increase in expenses of the primary government. All other internal activities, such as interfund reimbursements, are treated as a reduction of the appropriate expense. Fiduciary funds are also excluded from the government-wide financial statements.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND JUNE 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

2. Government-Wide Financial Statements and Fund Financial Statements - Continued

Government-Wide Statements (continued):

The government-wide Statement of Activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the business-type activities of the County and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financed or draws from the general revenues of the County. Certain indirect costs are included in the program expense reported for individual functions and activities.

Net position is reported as restricted when constraints placed on these resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, laws, regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

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

Fund Financial Statements:

The fund financial statements provide information about the County's funds, including its fiduciary funds. 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. The emphasis of fund financial statements is on major governmental and enterprise funds, each of them displayed in a separate column.

Certain funds are required by GAAP to be presented as major funds of the County. The requirement to present a fund as "major" is based on the total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, and expenditures within the fund, with the exception of the General Fund, which must always be presented as a major fund. Additionally, the County has the option of voluntarily presenting any fund as major.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND JUNE 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

2. Government-Wide Financial Statements and Fund Financial Statements - Continued

Fund Financial Statements (continued):

The County reports the following governmental funds as major:

General Fund. This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Mental Health / Intellectual Disabilities. This fund is responsible for serving certain mental and behavioral health needs of the County's citizens. Revenues and other resources reported in this fund are derived from a variety of federal and state grants as well as from transfers for county matches from the General Fund.

Children and Youth. The purpose of this fund is to protect and care for children who have been abused, neglected, exploited, abandoned, adjudicated delinquent, or are without proper parental supervision. Revenues and other resources reported in this fund are derived from a variety of federal and state grants as well as from transfers for county matches from the General Fund.

Community Development. This fund accounts for the activities of the Community Development Program of Beaver County (CDP). The CDP's mission is two-fold: to improve the living conditions of low-income individuals and to aid in the elimination of slum and blight. The Community Development Fund is voluntarily reported as major by the County due to its significance within County operations. Revenues and other resources reported in this fund are derived from a variety of federal and state grants.

HealthChoices. HealthChoices is a program sponsored by the Commonwealth of Pennsylvania and administered by the County to meet the needs of low income individuals with behavioral health problems. Revenue and other resources reported in this fund are derived from a capitated arrangement through an intergovernmental contract.

All remaining governmental funds are aggregated and reported as non-major funds.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND JUNE 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

3. Fund Types

In accordance with generally accepted accounting principles applicable to governmental units, the accounts of the County are organized and operated on the basis of individual funds. The operations of each fund are accounted for by providing a separate set of self-balancing accounts comprised by assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances or net position, revenues, and expenditures or expenses. The following describe the purpose and function of each type of fund presented in the accompanying financial statements.

Governmental Fund Types

The General Fund is used to account for all financial transactions not accounted for in the fund types listed below. This includes items such as the receipt and expenditure of the general tax levy and fees of general offices.

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects.

Capital Projects Funds are used to account for financial resources that are restricted, committed, or assigned to expenditures for the acquisition or construction of capital facilities and other capital assets (other than those financed by proprietary fund types).

Proprietary Fund Type

Internal Service Funds account for operations that provide services to other departments or agencies of the County on a cost reimbursement basis. These funds account for the employees' self-insured medical health benefits and workers' compensation claims of the County.

Fiduciary Fund Types

Fiduciary Funds are used by the County to account for assets held on behalf of outside parties or on behalf of other funds. These funds currently include the pension trust fund and the agency funds.

The Pension Trust Fund is accounted for in essentially the same manner as a proprietary fund and it presents the activities of the Beaver County Employees' Pension Plan.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND JUNE 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

3. Fund Types - Continued

Agency Funds are custodial in nature and do not involve measuring results of operations. The funds are used to account for cash collected and disbursed by elected row officers such as the Clerk of Courts, Recorder of Deeds, Register of Wills, Sheriff, Prothonotary, and Treasurer; support payments collected by Domestic Relations; and delinquent real estate tax payments collected by Tax Claim.

4. Basis of Accounting and Measurement Focus

Basis of accounting refers to when revenues, expenditures, expenses and transfers, and the related assets, deferred inflows and outflows of resources, and liabilities are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, reconciling financial statements with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds are presented. The primary effect of internal activity has been eliminated from the government-wide financial statements.

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available to finance expenditures of the fiscal period. Revenues are considered available when they are expected to be collected within sixty days of year-end. As of December 31, 2016, the County delayed revenue recognition of \$1,297,728 because these monies were not yet considered available in accordance with GAAP. Expenditures and transfers out are generally recognized under the accrual basis of accounting when the related liability is incurred, except for compensated absences and financing costs/interest on general long-term debt, which are recorded when the payment is due.

The financial statements of fiduciary and proprietary funds are presented on the accrual basis of accounting. Under this method of accounting, all revenues are recorded when earned and all expenses are recorded when the liability is incurred.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND JUNE 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

4. Basis of Accounting and Measurement Focus - Continued

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing and producing services in connection with a proprietary fund's ongoing revenues. The principal operating revenues of the County's proprietary funds are discussed in the next section. Operating expenses for internal service funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Pension Trust Fund and the agency funds' financial statements are also prepared using the accrual basis of accounting. Employee and employer contributions are recognized when due, pursuant to formal commitments, as well as statutory or contractual requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the pension plan. Administrative costs from services provided by outside vendors are recorded when incurred. Investments are reported at fair value.

Certain other costs for services provided internally are not charged to and therefore not recorded on the financial statements of the Pension Trust Fund.

The Pension Trust Fund and the agency funds' investments are reported at fair value. Investments traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Other investments are valued based on their liquidation amounts as estimated by the investment fund's management. Investment income is recognized as earned. Gains and losses on sales and exchanges are recognized on the transaction date.

5. Revenues

Property taxes collected by the Treasurer within sixty days subsequent to December 31, related to the prior year, are recorded as revenue on the Statement of Revenues, Expenditures and Changes in Fund Balance.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND JUNE 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

5. Revenues - Continued

Federal and state grants are recognized as revenues in the period the related expenditures are incurred, if applicable, or when the County is entitled to the grants. However, these grants are subject to audits and adjustments by grantor agencies. Revenues received after sixty days subsequent to year-end are recorded as unavailable revenue on the governmental funds' Balance Sheets and, for the period of collection, as revenue on the Statement of Revenues, Expenditures and Changes in Fund Balance. Grant revenues recognized for expenditures which are disallowed are repayable to the grantor. Management has presented these statements based upon its understanding of restrictions on the revenues recognized. Revenue recognized by HealthChoices is based on the number of eligible members within the County, paid monthly at a contracted rate with Pennsylvania's Department of Human Services.

6. Unavailable and Unearned Revenues

Under the modified accrual basis of accounting, revenue is not recognized until it is available to liquidate liabilities of the current period; under full accrual accounting, revenue is recognized as soon as it is earned. Assets received on or prior to the financial statement date, for which the revenue recognition requirements have not been met, are posted as unearned revenue on the Statements of Net Position and the Balance Sheet for Governmental Funds. Certain payments received by the County are considered unearned and not subject to revenue recognition under either the full or the modified accrual basis.

7. Expenditures

Capital asset purchases relating to non-proprietary fund type assets are included in current year expenditures in governmental funds and are capitalized on the government-wide Statement of Net Position. Interest on non-proprietary fund debt is recorded as an expenditure on the Statement of Revenues, Expenditures and Changes in Fund Balances when paid or when payment is due.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND JUNE 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

8. Cash, Cash Equivalents, Restricted Cash, and Investments

The County maintains numerous checking accounts for depositing receipts and disbursing expenditures for all governmental fund types. In addition, the County maintains two accounts in the Pennsylvania Local Government Investment Trust (PLGIT), one account in the Pennsylvania Treasurer's Invest Program for Local Governments (Invest Program), and three commercial money market accounts which all earn interest. Funds are transferred to these accounts to utilize the surplus of cash, which would otherwise remain idle in the County's checking accounts. The balances maintained in these accounts represent the individual interest of each representative fund in the account and they are recorded at cost, which approximates fair value.

HealthChoices' restricted cash represents deposits the County is required to maintain in order to meet certain contractual provisions of grantor agencies.

For purposes of the accompanying Statement of Cash Flows, the County considers all highly liquid investments with a maturity of three months or less when acquired, including restricted cash, to be cash equivalents regardless of any restrictions.

9. Prepaid Items

Prepaid items in the fund financial statements are recorded as assets in the specific governmental fund in which future benefits will be derived. The prepaid items in the fund financial statements are recognized under the consumption method and they consist primarily of prepaid insurance premiums in the General Fund and prepaid claim payments for HealthChoices.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND JUNE 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

10. Capital Assets

The accounting and reporting applied to the capital assets associated with a fund is determined by its measurement focus. Capital assets that have been acquired for general governmental purposes are recorded as expenditures in the governmental funds and are capitalized in the government-wide Statement of Net Position. All capital assets are recorded at cost, if known, or at estimated historical cost. Donated capital assets are recorded at their estimated fair value on the date of the donation. The County uses a threshold of \$5,000 for recording substantially all capital assets. All infrastructure placed into service after 1980 is capitalized. Depreciation and related accumulated depreciation on capital assets is recorded in the government-wide statements and the proprietary fund financial statements and it is computed using the straight-line method over the estimated useful lives of the related assets.

Estimated useful lives for the County's classes of reported capital assets are as follows:

Infrastructure	50 years
Buildings and Land Improvements	40 years
Leasehold Improvements	10 years
Equipment	10 years
Computer Hardware	6 years
Computer Software	5 years
Vehicles	5 years
Furniture and Fixtures	5 years

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Major renewals or betterments are capitalized as additions.

11. Compensated Absences

The vacation policy for substantially all of the County's employees provides that vacation earned from the prior years' service, granted to employees on January 1, must be taken by December 31 of that same year. Therefore, the accrual in the government-wide Statement of Net Position represents what was earned through December 31, 2016, granted on January 1, 2017.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND JUNE 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

11. Compensated Absences - Continued

Employees, other than those mentioned below, may accumulate up to 100 days of sick leave. Sheriff's deputies may accumulate up to a maximum of 150 days of sick leave. Jail guards receive nine days of sick leave per year with no limit on the maximum number of days that can be carried into the subsequent years. Children & Youth, Office on Aging, Mental Health / Intellectual Disabilities, and probation office employees receive paid time off. These employees may accumulate up to a maximum of 50 days of paid leave. Court-related employees may accrue up to 35 so-called "package days". "Package days" combine an employee's vacation, sick time, and personal time. If compensated absence time is not used, it is paid to retirement-eligible employees upon retiring at varying rates. Accumulated compensated absence time as of December 31, 2016, that is estimated to be paid to employees upon retirement has been recorded in the government-wide Statement of Net Position under Non-current Liabilities.

12. Accrued HealthChoices Program Costs

The HealthChoices Program accrues an estimate of its medical service liability at the end of each accounting period. The estimate is developed using a process that accounts for the lag between the point in time that the payment is made for a service and the point in time that the County became liable for the service. The HealthChoices Program contracts with an independent actuary to certify this estimate. Subsequent payments are also reviewed to confirm the reasonableness of the estimate.

13. Accrued Healthcare Costs

Accrued healthcare costs of the Internal Service Funds represent medical self-insurance claims and workers' compensation claims. The claims liability is calculated using a completion factor based on claims history and the historical time lag between dates of service and the dates of payment.

14. Early Termination Benefits

Early termination benefits payable to former employees were recorded at their discounted present values using an annual discount rate of 3.0%.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND JUNE 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

15. Pension

In the Government-Wide financial statements, the County recognizes pension expense in accordance with GASB Statements No. 68 and 71. Pension expenditures are recognized under the modified accrual basis within the Governmental Funds to the extent of County contributions. See Note G for further information.

16. Budgets

The County Board of Commissioners (the “Commissioners”) annually adopts a formal budget for all of the Governmental Fund Types. The procedures described below are followed in establishing the budgetary data reflected in the financial statements.

The County Controller submits the proposed budget to the Commissioners no less than thirty days prior to the adoption of the budget for the year beginning the following January 1. The proposed budget is adopted no later than December 31, with certain exceptions. Notice of the availability of the proposed budget for public inspection is made at least twenty days prior to the adoption of the final budget.

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 proceeds of any borrowing. Appropriations lapse at year-end if not recorded in the financial statements.

Appropriated budgets are adopted and presented on a modified accrual basis consistent with GAAP by fund, department, and line-item. Line-items are department-specific revenues and expenditures, such as taxes, fees, salaries and supplies. This basis of accounting is the same as that used for the fund financial statements. Transfers of appropriations may be requested between line-items within a department or between departments within the same fund. All transfers of appropriations require the approval of the Commissioners. The legal level of control is exercised by fund and department, and management’s level of control is at each line-item.

Formal budgetary review is employed as a management control during the year for all Governmental Funds. Final budget amounts presented in the schedules and supplementary information accompanying the financial statements are as amended as of December 31, 2016.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND JUNE 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

17. Deferred Outflows / Inflows of Resources

In addition to assets, the Statement of Net Position, the Balance Sheet for Governmental Funds will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The government has two items that qualify for reporting in this category. They are the deferred charge on refunding and net difference between projected and actual earnings on pension plan investments, which are reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded debt or the refunding debt. The net difference between projected and actual earnings on pension plan investments is based on an actuarial valuation as further described in Note G.

In addition to liabilities, the Statement of Net Position and/or the Balance Sheet for Governmental Funds will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government only has one type of item, which arises only under the modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported in the Governmental Funds Balance Sheet. The Governmental Funds report unavailable revenues from grant agreements. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The government has another type, the difference between expected and actual experience for pension plan. This amount is also based on an actuarial valuation as further described in Note G.

18. Fund Balance

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

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND JUNE 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

18. Fund Balance - Continued

Non-spendable – This classification consists of amounts that cannot be spent because they are either not in spendable form or are legally required to be maintained intact.

Restricted – This classification consists of amounts that are restricted to specific purposes, as imposed by external restrictions such as constitutional provisions or enabling legislation.

Committed – This classification consists of amounts used for specific purposes exclusively imposed by formal action of the County’s Board of Commissioners, the County’s highest level of decision-making authority. Only through execution of a resolution by the County’s Board of Commissioners prior to fiscal year-end can the County commit fund balance or remove or modify a previously committed fund balance.

Assigned – This classification consists of amounts constrained by the County’s intent to be used for specific purposes that are neither restricted nor committed. The policy in place allows for procedures of the Commissioners and the Controller to jointly assign amounts to be used for specific purposes before issuance of the audited financial statements.

Unassigned – This classification consists of amounts that have not been assigned to other resources and that have not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund is the only fund that could report a positive unassigned fund balance.

It is the County’s policy, when more than one classification of fund balance is available for a particular purpose, to first apply expenditures against the restricted fund balance followed by committed, assigned, and then unassigned fund balance.

The governmental fund types use encumbrance accounting, under which open purchase orders are recorded. Open encumbrances do not constitute expenditures or liabilities since the obligations will be honored, re-appropriated and added to each department’s subsequent year’s budget. See Note M for additional encumbrance information.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND JUNE 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

18. **Fund Balance** - Continued

Amounts reported as restricted fund balance – other – on the Governmental Funds’ Balance Sheet have the following specific purposes:

For Emergency Services	\$	62,787
For Capital Projects		2,544,771
For the Elderly Population		948,011
For Tourism Promotion		94,002
For Office Improvements and Records Automation		556,532
For Judicial Services		241,660
For General Law Enforcement		648,636
		<u>\$ 5,096,399</u>

HealthChoices Program

HealthChoices receives funds based on a contract between the County and the Commonwealth of Pennsylvania’s Department of Human Services (Commonwealth). Per the contract, the County must maintain a restricted reserve for equity and a plan of insolvency. As of December 31, 2016, the County has met the equity requirement by maintaining approximately \$1,800,000 in a separate bank account. Assets can be transferred from this account only with the permission of the Commonwealth. As of December 31, 2016, the County has also met the insolvency requirement determined by the Commonwealth by maintaining, at a minimum, the equivalent of sixty days’ worth of unpaid claims. The minimum, which was determined by the Commonwealth to be \$4,418,775 is maintained in a separate bank account.

The contract also allows the County to maintain a reserve for risk and contingency in an amount not to exceed seventy-five days of unpaid claims. The County has elected to have this reserve by restricting \$5,526,146 of cash and investments at December 31, 2016. Draw-down of these funds requires approval of the Commonwealth.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND JUNE 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

19. Net Position

GASB Statement No. 63 requires a classification of net position into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined below:

- Net investment in capital assets – This component consists of capital assets, net of accumulated depreciation, and reduced further by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of these assets.
- Restricted – This component of net position entails the balance subject to constraints placed on the use of resources through external restrictions, such as, constitutional provisions or enabling legislation.
- Unrestricted – This component consists of resources that do not meet the definition of “restricted” or “net investment in capital assets.”

The County’s policy is to apply expenses against restricted net position first, then unrestricted net position, when that choice is permitted.

The January 1, 2016, net position of the County was increased by \$4,230,112, a combination of an increase in beginning net position as of January 1, 2015 of \$6,825,757 and an increase of pension expense for 2015 of \$2,595,645, from \$19,021,587, the amount previously reported, to \$23,251,699. This increase, as further described in Note G, is the result of the County correcting its calculation of members’ reserves liability and service costs, which reduced the County’s Total Pension Liability and Net Pension Liability.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND JUNE 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

20. Adoption of Governmental Accounting Standards Board Pronouncement

The GASB has issued Statement No. 72 “*Fair Value Measurement and Application*”, effective for periods beginning after June 15, 2015. This statement is to address accounting and financial reporting issues related to fair value measurements, and to provide guidance related to fair value reporting and disclosures necessary for fair value measurements. The disclosure requirements of this statement have been incorporated into these financial statements.

The GASB has issued Statement No. 76 “*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*”, effective for periods beginning after June 15, 2015. This statement is to identify the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles (GAAP) and the framework for selecting those principles.

The GASB has issued Statement No. 77 “*Tax Abatement Disclosures*”, effective for periods beginning after December 15, 2015. This statement requires state and local governments, for the first time, to disclose information about tax abatement agreements, and is designed to provide financial statement users with essential information about these agreements and the impact that they have on the government’s finances. The disclosure requirements of this statement have been incorporated into these financial statements.

21. Pending Governmental Accounting Standards Board Pronouncements

The GASB has issued Statement No. 80 “*Blending Requirements for Certain Component Units an amendment of GASB Statement No. 14*”, effective for periods beginning after June 15, 2016. This statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units.

The GASB has issued Statement No. 82 “*Pension Issues an amendment of GASB Statements No. 67, No. 68, and No. 73*”, effective for periods beginning after June 15, 2016. This statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*.

The County has not determined the impact, if any, the application of the aforementioned statements will have on the County’s financial statements.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND JUNE 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

22. Use of Estimates

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect reported amounts. Actual results could differ from those estimates.

NOTE B - PROPERTY TAXES

Property tax millage rates are set by a resolution of the Commissioners prior to January 1 of the current year, with certain exceptions. Taxes are payable in the beginning of the current fiscal year through April of the following fiscal year as approved by the Commissioners. After that date, the properties are lienied and legal action is required to sell real property for tax proceeds.

The County is permitted, by the County Code, to levy real property taxes up to a maximum of twenty-five mills on every dollar of adjusted valuation.

Property tax revenues for the year ended December 31, 2016, are recorded on the Statement of Activities net of discounts of approximately \$775,000 and inclusive of penalties amounting to approximately \$152,000. Property tax receivables are stated net of allowance for uncollectible accounts. At December 31, 2016, the balance in the allowance for uncollectible taxes is \$4,063,828.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND JUNE 30, 2016

NOTE C - CASH DEPOSITS AND INVESTMENTS

Beaver County has not adopted a formal investment policy other than that pertaining to the Pension Trust Fund; however, all investment decisions are based upon legally binding statutes determined by the County Code. Statutes allow the County to invest in the following:

- United States Treasury bills
- Short-term obligations of the United States Government or the Commonwealth of Pennsylvania
- Deposits in savings accounts or time deposits of institutions having a place of business in the Commonwealth of Pennsylvania and insured or collateralized in accordance with Act 72
- Certificates of deposit limited to twenty per centum of capital and surplus if purchased from a commercial bank and limited to twenty per centum of assets minus liabilities if purchased from a savings and loan association, or other investments, collateralized by the aforementioned federal government securities

Cash Deposits

Cash deposits are exposed to custodial credit risk, which is the risk that a government may not recover the funds it placed in the custody of a counterparty (such as if the counterparty would enter bankruptcy proceeding). The County does not have a formal deposit policy for custodial credit risk. At December 31, 2016, Beaver County's deposits were either insured or collateralized with assets held by the pledging bank's trust department and not in the County's name. At December 31, 2016, the bank balance of the County's cash deposits was approximately \$39 million, of which approximately \$1,250,000 was insured. The remaining uninsured bank balance was collateralized in accordance with Act 72 of the Commonwealth of Pennsylvania State Legislature, which states that a depository must pledge assets to secure state and municipal deposits. The pledged assets must be equal to at least the total amount of the public deposits at the depository and may be on a pooled basis.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND JUNE 30, 2016

NOTE C - CASH DEPOSITS AND INVESTMENTS – (Continued)

Investments

Substantially all of the County's investments (excluding the pension fund and restricted investments) are in certain Pooled Investment Funds which are managed by the Pennsylvania Local Government Investment Trust (PLGIT) and the Invest Program. The fair value of the position in the PLGIT and the Invest Program are the same as the value of the pools' shares.

Since these investments have maturities that are less than three months, these amounts are classified as cash equivalents on the Statement of Net Position which is pursuant to the County's accounting policy. An oversight committee headed by the Pennsylvania State Treasurer monitors the overall effectiveness of the Invest Program. PLGIT's Board of Trustees and its participants annually select an independent auditing firm to perform a financial audit of the Trust. The pools are composed of a diversified portfolio of short-term securities, repurchase agreements and certificates of deposit collateralized with U.S. Treasury securities, and obligations of the U.S. Government. The credit quality rating for PLGIT and the Invest Program were "AAA" according to Standard and Poor's.

Restricted Investments

Restricted investments are comprised of United States Treasury Obligations amounting to approximately \$6.1 million as of December 31, 2016. These investments are restricted and to be used for debt service related to Bonds issued where the proceeds were used for the County's former long-term care facility which was disposed of in 2014. The weighted average to maturity of these investments is 2.31 years.

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

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

- U.S. Treasury obligations of \$6.1 million are valued using quoted market prices (Level 1 inputs)

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND JUNE 30, 2016

NOTE C - CASH DEPOSITS AND INVESTMENTS – (Continued)

Restricted Cash

Restricted cash in the General Fund is constrained for judicial system operations and dispute resolution matters.

Pension Trust Fund Investments

The County's Pension Trust Fund holds a significant amounts of investments that are measured at fair value on a recurring basis. Because investing is a key part of the fund's activities, the fund shows greater disaggregation in its disclosures. The fund chooses a tabular format for disclosing the levels within the fair value hierarchy.

The fund categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fund has the following recurring fair value measurements as of December 31, 2016:

	12/31/2016	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt Securities				
U.S. & local Government obligations	\$ 22,121,138	\$ 21,919,278	\$ 201,860	\$ -
Certificates of Deposit	2,723,391	2,723,391	-	-
Collateralized mortgage obligations	5,450,156	-	-	5,450,156
Corporate obligations	29,600,672	29,600,672	-	-
Equity Securities				
Common Stock	147,855,493	147,855,493	-	-
Mutual Funds	35,625,354	35,625,354	-	-
Venture capital investments	8,960,376	-	-	8,960,376
Total investments by fair value level	252,336,580	\$ 237,724,188	\$ 201,860	\$ 14,410,532
Investments measured at net asset value (NAV)				
Real Estate Funds	29,237,916			
Total investments measured at NAV	29,237,916			
Total investments measured at fair value	\$ 281,574,496			

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND JUNE 30, 2016

NOTE C - CASH DEPOSITS AND INVESTMENTS – (Continued)

Pension Trust Fund Investments – Continued

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using the last reported sales prices quoted in active markets for those securities. U.S Government obligations classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Commercial and residential mortgage-backed securities classified in Level 3 are valued using discounted cash flow techniques. Venture capital investments classified in Level 3 inputs are valued using either a discounted cash flow or market comparable method.

The valuation method for investments at the net asset value (NAV) per share (or its equivalent) is presented in the following table:

	<u>Fair Value</u>
Real Estate Funds	<u>\$ 29,237,916</u>
Total investments measured at NAV	<u><u>\$ 29,237,916</u></u>

Real estate assets are reported at net asset value (NAV). The fair values of the investments are determined using the NAV per share (or its equivalent) of the Plan's ownership interest in the partners' capital. Under the contract, an independent appraisal is obtained once per year to determine the fair market value of the real estate assets. These investments can never be redeemed with the fund. Distributions from each fund will be received as the underlying investments in the fund are liquidated. The individual investments that will be sold have not yet been determined. Because it is not probable that any individual investment will be sold, the fair value of each individual investment has been determined using the NAV per share (or its equivalent) of the Plan's ownership interest in partners' capital. Once it has been determined which investments will be sold and whether those investments will be sold individually or in a group, the investments will be sold in an auction process. The investee fund's management is required to approve of the buyer before the sale of the investments can be completed.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND JUNE 30, 2016

NOTE C - CASH DEPOSITS AND INVESTMENTS – (Continued)

Pension Trust Fund Investments – Continued

The County has a policy in place to define the types and the mix of investments that are commensurate with the goals of the Pension Trust Fund. The policy applies certain limitations on the amounts of domestic equities, international equities, fixed income investments, and cash equivalents that the fund may hold at any one time. All assets of the County's Pension Trust Fund, except for its interest in the collective trusts and certain debt and equity securities, were either insured or collateralized with assets held in the custodian's trust department.

Credit risk is the risk that investments may not be recovered from the counterparty due to bankruptcy, theft, or other occurrences. To mitigate this risk, the Beaver County Pension Trust Fund Investment Policy limits an investment in common stock in any one corporation to 5% of the total portfolio. For corporate bonds, the County's policy requires that bonds be rated at least "BBB" by the Standard and Poor's bond rating system.

Foreign currency risk is the risk that investments may lose value due to fluctuation of foreign currency exchange rates. All foreign equity investments are pooled investments managed by a single counterparty. As a result of the pooling of investments, the Pension Trust Fund does not own foreign securities but rather shares of the pooled investment fund.

Securities Lending Transactions

The County's pension investment policy allows the County's Pension Trust Fund to enter into security lending agreements with eligible borrowers. During 2016, the Pension Trust Fund, through the use of a security lending agent, engaged in several security lending transactions. All securities held by the pension trust fund, except those specifically identified by the County, are available for these loans. The fair value and carrying value of the securities on loan at December 31, 2016, is approximately \$10.3 million, which is almost entirely comprised of common stock.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND JUNE 30, 2016

NOTE C - CASH DEPOSITS AND INVESTMENTS – (Continued)

Pension Trust Fund Investments – Continued

Collateral on outstanding loans is calculated daily and equals 102% or 105% of the fair value of the securities on loan. Collateral can be accessed in the event the borrower is unable to repay the loan at maturity. The County has and exercises its ability to invest cash collected as collateral in certain investment accounts to enhance earnings. At December 31, 2016, the County had approximately \$10.3 million of common stock on loan to various borrowers. The County collected collateral of approximately \$10.5 million consisting entirely of cash which was subsequently deposited into a short term investment account in order to ensure that maturity of these investments match the maturities of the loans outstanding.

At December 31, 2016, the amount of collateral on hand exceeded the value of the securities on loan. The County has not recorded any losses resulting from default during the year ended December 31, 2016.

Custodial credit risk is that risk that, in the event of a failure of the counterparty, the Fund will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the County's collateral holdings are exposed to custodial credit risk.

Credit risk is the risk that investments may not be recovered from the counterparty due to bankruptcy, theft, or other occurrences. To mitigate this risk, the Pension Trust Fund securities lending policy requires between 102% - 105% of market value to be held as collateral for each security lent. As of December 31, 2016, the Fund is not exposed to credit risk since the value of collateral exceeds the value of the securities on loan for every loan outstanding.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND JUNE 30, 2016

NOTE C - CASH DEPOSITS AND INVESTMENTS – (Continued)

Pension Trust Fund Investments – Continued

As of December 31, 2016, the Pension Trust Fund's investments and cash deposits consisted of:

<u>Investments</u>	
Common and Preferred Stocks	\$ 147,855,493
Interest in Collective Trust	29,237,916
Bonds and Notes:	
U.S. Government Notes	14,070,510
U.S. Government Agency Bonds	1,356,025
U.S. Government Mortgage Backed Securities	6,492,739
Municipal Bonds	201,860
Corporate Bonds	29,600,676
Registered Investment Company Securities	35,625,354
Certificates of Deposit	2,723,391
Interest in Limited Partnership	8,960,376
Other Debt Securities	5,450,156
Total Investments	<u>281,574,496</u>
Cash Deposits	8,374,980
Cash Deposits held as Collateral	10,516,181
Total Cash Deposits and Investments	<u><u>\$ 300,465,657</u></u>

COUNTY OF BEAVER, PENNSYLVANIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND JUNE 30, 2016

NOTE C - CASH DEPOSITS AND INVESTMENTS – (Continued)

Pension Trust Fund Investments – Continued

Investments in bonds and notes and their respective weighted averages to maturity are as follows:

	<u>Amount at December 31, 2016</u>	<u>Weighted Average to Maturity (Years)</u>
Obligations Explicitly Guaranteed by the United States Government:		
U.S. Government Notes	\$ 14,010,510	10.08
Other Obligations:		
U.S. Government Agency Bonds	1,356,025	4.35
U.S. Government Mortgage Backed Securities	6,492,739	22.35
Municipal Bonds	201,860	1.50
Corporate Bonds	29,600,676	4.64
Subtotal	37,651,300	
Total	\$ 51,661,810	
Portfolio Weighted Average		8.33

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND JUNE 30, 2016

NOTE C - CASH DEPOSITS AND INVESTMENTS – (Continued)

Pension Trust Fund Investments – Continued

The bond ratings given to corporate bonds, except those explicitly guaranteed by the United States government and mortgage backed securities, whose credit ratings are not available, as determined by the Standard and Poor's bond rating system along with the amount invested by the Pension Trust Fund at December 31, 2016, are as follows:

<u>S&P Rating</u>	<u>Market Value</u>
AAA	\$ 176,955
AA+	2,893,948
AA	942,426
AA-	2,310,953
A+	2,068,652
A	2,318,588
A-	7,081,066
BBB+	8,836,017
BBB	2,888,626
BBB-	1,253,903
Unrated Securities	<u>6,880,166</u>
Total	<u>\$ 37,651,300</u>

Component Unit - BCTA

BCTA is authorized under State statutes to invest in:

- I. Obligations of the U.S. Treasury.
- II. Short-term obligations of the U.S. Government and federal agencies.
- III. Insured savings and checking accounts and certificates of deposit in banks, savings and loan associations and credit unions.
- IV. General obligation bonds of the federal government, the Commonwealth of Pennsylvania or any political subdivision of the Commonwealth of Pennsylvania, or any of their agencies.
- V. Shares of mutual funds whose investments are restricted to the above categories.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND JUNE 30, 2016

NOTE C - CASH DEPOSITS AND INVESTMENTS – (Continued)

Component Unit – BCTA – Continued

At June 30, 2016, BCTA’s cash and cash equivalents had a bank balance of \$3,100,167 and a book balance of \$2,810,051. The difference between the bank balance and the book balance represents year-end reconciling items such as deposits in transit and outstanding checks. The Federal Deposit Insurance Corporation (FDIC) coverage threshold for government accounts is \$250,000 per official custodian. This coverage includes checking and savings accounts, money market deposit accounts, and certificates of deposit.

Custodial credit risk is the risk that, in the event of a bank failure, BCTA’s deposits may not be returned. BCTA does not have a formal policy for custodial credit risk. As of June 30, 2016, \$2,350,167 of BCTA’s bank balance is exposed to custodial credit risk as this amount represents uninsured deposits collateralized with securities held by the pledging financial institution or by its trust department or agent, but not in BCTA’s name.

At June 30, 2016, the cash deposits of BCTA consisted of:

Cash - FDIC Insured	
Huntington Bank	\$ 250,000
Wesbanco Bank	250,000
First National Bank	250,000
Collateralized by securities pledged to a pooled public funds account with the Federal Reserve System	2,350,167
	<u>\$ 3,100,167</u>

These deposits are in accordance with Act Number 72-1971 Session of the Commonwealth of Pennsylvania.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND JUNE 30, 2016

NOTE C - CASH DEPOSITS AND INVESTMENTS – (Continued)

Component Unit – CCBC

The Public School Code Section 440.1 authorizes CCBC to invest in:

- I. Obligations of the U.S. Treasury.
- II. Deposits in savings accounts, time deposits and share accounts of institutions insured by FDIC, Federal Savings & Loan Insurance Corporation, and National Credit Union Share Insurance Fund.
- III. Obligations of the United States, Pennsylvania, or any political subdivision of Pennsylvania, or any of their agencies or instrumentalities backed by the full faith and credit of these governmental units.
- IV. Shares of an investment company, registered under the Investment Company Act of 1940, are registered under the Securities Act of 1933.

Investments of the CCBC Foundation include equity, fixed, and mutual funds and money market funds held by the First National Wealth Management. Investments are stated at fair value.

At June 30, 2016, CCBC's cash and cash equivalents had a bank balance of \$4,724,361 and a book balance of \$4,504,003. The difference between the bank balance and the book balance represents year-end reconciling items such as deposits in transit and outstanding checks. The Federal Deposit Insurance Corporation (FDIC) coverage threshold for government accounts is \$250,000 per official custodian. This coverage includes checking and savings accounts, money market deposit accounts, and certificates of deposit.

CCBC does not have a formal policy for custodial credit risk. As of June 30, 2016, \$4,224,361 of CCBC's bank balance total is exposed to custodial credit risk as this amount represents uninsured deposits collateralized with securities held by the pledging financial institution or by its trust department or agent, but not in CCBC's name.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND JUNE 30, 2016

NOTE C - CASH DEPOSITS AND INVESTMENTS – (Continued)

Component Unit – CCBC - Continued

At June 30, 2016, the cash deposits of CCBC consisted of:

Cash - FDIC Insured	\$	250,000
Cash - CCBC Foundation - FDIC Insured		250,000
Collateralized by securities pledged to a pooled public funds account with the Federal Reserve System		4,224,361
		<u>4,724,361</u>
	\$	<u>4,724,361</u>

These deposits are in accordance with Act Number 72-1971 Session of the Commonwealth of Pennsylvania.

CCBC’s investments at June 30, 2016, totaled \$1,324,416 and they were held by the CCBC Foundation.

NOTE D – RECEIVABLES AND PAYABLES

Receivables at December 31, 2016, were as follows:

	Accounts Receivable	Taxes	Due From Other Governments	Other	Total Receivables
Governmental Activities					
General Fund	\$ -	\$ 8,195,299	\$ 894,378	\$ 260,739	\$ 9,350,416
MH/ID	-	-	1,542,552	130,770	1,673,322
Children & Youth	-	-	1,312,855	374	1,313,229
Community Development	-	-	591,694	46,052	637,746
HealthChoices	-	-	110,549	33	110,582
Non-major Governmental Funds	-	-	1,196,504	903,585	2,100,089
	-	8,195,299	5,648,532	1,341,553	15,185,384
Allowance for Doubtful Accounts	-	(4,063,828)	-	-	(4,063,828)
Total - Governmental Activities	<u>\$ -</u>	<u>\$ 4,131,471</u>	<u>\$ 5,648,532</u>	<u>\$ 1,341,553</u>	<u>\$ 11,121,556</u>
Component Units					
BCTA	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,284,973</u>	<u>\$ 26,890</u>	<u>\$ 4,311,863</u>
CCBC	<u>\$ 708,272</u>	<u>\$ -</u>	<u>\$ 1,084,018</u>	<u>\$ 79,603</u>	<u>\$ 1,871,893</u>

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND JUNE 30, 2016

NOTE D – RECEIVABLES AND PAYABLES – (Continued)

Payables at December 31, 2016, consisted of amounts due to vendors, program providers, and grantees for goods, services, and grant-related obligations.

NOTE E - INTERFUND BALANCES AND TRANSFERS

Interfund Balances

The County reports interfund balances among all of its funds. The balances for non-major governmental funds and proprietary funds are aggregated into a single column or row. The composition of interfund balances as of December 31, 2016, is as follows:

	Interfund Payable						Total Assets
	General		Community	Health	Non-Major	Internal	
	Fund	MH/ID	Development	Choices	Governmental	Funds	
Interfund Receivable General Fund	\$ -	\$ -	\$ 108,682	\$ 1,657	\$ 1,095,252	\$ 3,088,099	\$ 4,293,690
Children & Youth	2,062,347	-	-	-	4,163	-	2,066,510
MH/ID	429,008	-	-	-	-	-	429,008
Non-Major Governmental	397,041	-	-	-	-	-	397,041
HealthChoices	-	245	-	-	-	-	245
Agency Funds - Tax Claim	408,216	-	-	-	-	-	408,216
Total Liabilities	\$ 3,296,612	\$ 245	\$ 108,682	\$ 1,657	\$ 1,099,415	\$ 3,088,099	\$ 7,594,710

The following is a summary of the interfund payables and receivables outstanding at December 31, 2016:

- The General Fund’s balance due to Children & Youth and MH/ID consists of the net of disbursements due for county match, indirect cost allocation, and single audit reimbursement.
- The General Fund’s balance due to the Non-Major Governmental Funds consists of the Driving Under the Influence Program’s revenue in excess of expenditures due to the Courtroom Improvement Fund, a loan from the Capital Reserve Fund for capital expenditures, and an amount due to Liquid Fuels for indirect cost allocation adjustments.
- The General Fund’s balance due to the Tax Claim Agency Fund is for the net of tax sale disbursements due to the General Fund and a loan made to the General Fund

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND JUNE 30, 2016

NOTE E - INTERFUND BALANCES AND TRANSFERS – (Continued)

Interfund Balances – Continued

- MH/ID's balance due to HealthChoices is related to reallocation of wages and benefits amongst MH/ID and HealthChoices.
- Community Development's balance due to the General Fund consists of the net of disbursements due for single audit reimbursements, expenses paid on behalf of Community Development by the General Fund, and a loan from the General Fund.
- HealthChoices' balance due to the General Fund consists of disbursements due for security provided by the Sheriff's Department and single audit reimbursements.
- Non-Major Governmental Funds' balances due to the General Fund consist of the net of disbursements due from EMS and Hazardous Materials, accounts payable, payroll, postage, external audit, indirect cost allocations, and pension annual required contribution reimbursement.
- Non-Major Governmental Funds' balance due to Children & Youth is the result of a reallocation of wages and benefits with the Beaver county Office on Aging.
- The Internal Service Fund's balance due to the General Fund consists of a loan due when charges for employee health care services and workers' compensation are sufficient to cover the cost of services provided.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND JUNE 30, 2016

NOTE E - INTERFUND BALANCES AND TRANSFERS – (Continued)

Interfund Transfers

Interfund transfers for the year ended December 31, 2016, consisted of the following:

		Transfer From		
		General Fund	Non-Major Governmental	Total
Transfer To	General Fund	\$ -	\$ 1,288,202	\$ 1,288,202
	Children & Youth	1,799,827	-	1,799,827
	MH/ID	759,532	-	759,532
	Non-Major Governmental	975,177	3,200	978,377
	Total	\$ 3,534,536	\$ 1,291,402	\$ 4,825,938

The following is a summary of transfers that occurred during the year ended December 31, 2016:

- The transfers from the General Fund to Children & Youth and MH/ID are for County Match obligations.
- The transfer from the County’s General Fund to the Non-Major Governmental Funds consists of the excess of revenues over expenditures in the Driving Under the Influence Program for the current year that are placed in the Courtroom Improvement Fund, transfers to Domestic Relations for purposes of meeting County Match obligations as well as transfers to Victim Witness for a long outstanding loan and other amounts Victim Witness was not able to reimburse the General Fund for.
- The transfer from Non-Major Governmental Funds to the County’s General Fund consists of the Offender’s Supervisory Fund transferring funds to Adult Probation as aid in funding various eligible expenditures as well as a transfer from the Capital Reserve Fund to the General Fund for the various eligible expenditures.
- The transfer from Non-Major Governmental Funds to Non-Major Governmental Funds represents a transfer from the Courtroom Improvement Fund to Domestic Relations for digital signage equipment.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND JUNE 30, 2016

NOTE F - LAND, BUILDINGS, IMPROVEMENTS AND EQUIPMENT

During 1996, the County contracted with an appraisal company to provide a detailed capital asset listing that included acquisition cost and acquisition year. The dates of acquisition and acquisition costs were either furnished by the County or estimated using reverse-trending techniques applied against the estimate of current replacement cost. The actual or estimated historical cost determined by the appraisal and transactions that occurred subsequent to the appraisal are reported in the government-wide Statement of Net Position.

Depreciation and amortization was charged to functions as follows:

Governmental Activities	
General Government	\$ 1,519,867
Judicial	268,311
Public Safety	1,544,046
Public Works and Enterprises	1,391,228
Curlutre, Recreation and Conservation	466,822
Human Services	253,546
Economic Development	5,549
Total	<u>\$ 5,449,369</u>

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND JUNE 30, 2016

NOTE F - LAND, BUILDINGS, IMPROVEMENTS AND EQUIPMENT – (Continued)

The following is a summary of changes in capital assets for Governmental Activities during 2016:

	Balance at January 1, 2016	Additions	Disposals & Transfers	Balance at December 31, 2016
Not being Depreciated:				
Land	\$ 1,757,554	\$ -	\$ -	\$ 1,757,554
Construction in Progress	457,092	-	(457,092)	-
	<u>2,214,646</u>	<u>-</u>	<u>(457,092)</u>	<u>1,757,554</u>
Other Capital Assets:				
Buildings and Improvements	88,489,120	894,605	392,092	89,775,817
Vehicles	4,947,770	105,400	-	5,053,170
Furniture and Equipment	21,425,759	949,121	(1,104,817)	21,270,063
Infrastructure	67,821,583	2,052,984	-	69,874,567
	<u>182,684,232</u>	<u>4,002,110</u>	<u>(712,725)</u>	<u>185,973,617</u>
Accumulated Depreciation:				
Buildings and Improvements	(36,598,345)	(2,137,505)	9,873	(38,725,977)
Vehicles	(3,421,657)	(499,117)	-	(3,920,774)
Furniture and Equipment	(15,262,287)	(1,422,188)	1,081,882	(15,602,593)
Infrastructure	(14,681,356)	(1,390,559)	-	(16,071,915)
	<u>(69,963,645)</u>	<u>(5,449,369)</u>	<u>1,091,755</u>	<u>(74,321,259)</u>
Net Other Capital Assets	<u>112,720,587</u>	<u>(1,447,259)</u>	<u>379,030</u>	<u>111,652,358</u>
Net Capital Assets	<u>\$ 114,935,233</u>	<u>\$ (1,447,259)</u>	<u>\$ (78,062)</u>	<u>\$ 113,409,912</u>

The above assets as of December 31, 2016, include \$8,949,148 relating to capitalized leases and \$5,594,277 of associated accumulated amortization.

Capital assets' additions displayed above include donated assets amounting to \$27,467. These assets are not included as expenditures on the Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND JUNE 30, 2016

NOTE F - LAND, BUILDINGS, IMPROVEMENTS AND EQUIPMENT – (Continued)

Component Unit- BCTA

The following is a summary of BCTA's property accounts as of June 30, 2016:

		<u>Estimated Useful Lives</u>
Land	\$ 3,774,575	N/A
Construction in Progress	7,102	N/A
Buildings and Improvements	17,124,667	30
Tangible Transit Operating Property	14,114,848	5-12
Other Property - MATP	60,810	4-5
Furniture and Equipment	1,574,486	4-5
	<u>36,656,488</u>	
Less Accumulated Depreciation	<u>(18,011,315)</u>	
	<u>\$ 18,645,173</u>	

Depreciation expense for the year ended June 30, 2016, amounted to \$1,548,446.

Component Unit - CCBC

The following is a summary of CCBC's property accounts as of June 30, 2016:

		<u>Estimated Useful Lives</u>
Land	\$ 980,652	N/A
Construction in Progress	2,549,220	N/A
Land Improvements	747,863	20
Buildings and Improvements	47,041,385	25-50
Vehicles	251,942	8-10
Furniture and Equipment	12,007,154	5-20
	<u>63,578,216</u>	
Less Accumulated Depreciation	<u>(29,934,882)</u>	
	<u>\$ 33,643,334</u>	

Depreciation expense for the year ended June 30, 2016, amounted to \$1,644,020.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND JUNE 30, 2016

NOTE G - EMPLOYEE RETIREMENT PLAN

The January 1, 2016, net position of the County was increased by \$4,230,112, a combination of an increase in beginning net position as of January 1, 2015 of \$6,825,757, and an increase of pension expense for 2015 of \$2,595,645, from \$19,021,587, the amount previously reported, to \$23,251,699. This increase in net position is the result of the County correcting its calculation of members' reserves liability and service costs, which reduced the County's Total Pension Liability and Net Pension Liability. Below indicated amounts as previously reported and as reported in these financial statements:

	Year Ended December 31, 2015		Difference
	As previously reported	As restated	
Total Pension Liability			
Service Cost	\$ 1,906,785	\$ 5,251,894	\$ (3,345,109)
Interest	19,872,317	20,688,336	(816,019)
Changes in benefit terms		-	-
Differences between expected and actual experience	(185,905)	(3,094,083)	2,908,178
Changes in assumption	-	-	-
Benefit payments, including refunds of member contribution	(16,831,971)	(16,685,010)	(146,961)
Net change in total pension liability	4,761,226	6,161,137	(1,399,911)
Deferred Inflows of Resources	154,921	1,350,655	(1,195,734)
2015 Pension expense increase			(2,595,645)
Total pension liability - beginning of year	<u>\$ 287,200,704</u>	<u>\$ 280,374,947</u>	<u>6,825,757</u>
Increase in Net Position - December 31, 2015			<u>\$ 4,230,112</u>

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND JUNE 30, 2016

NOTE G - EMPLOYEE RETIREMENT PLAN – (Continued)

1. Summary of Significant Accounting Policies

Pensions

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Beaver County Employees' Pension Plan (the Plan), and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Method Used to Value Investments

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Real estate assets are reported at fair value utilizing an income approach to valuation. By contract, an independent appraisal is obtained once every year to determine the fair market value of real estate assets.

2. Plan Description

The County sponsors the Plan, a single-employer, defined benefit pension plan covering substantially all of its employees. The Plan provides retirement, disability, and death benefits to plan members and their beneficiaries. Administration of the Plan is provided by the Beaver County Employees' Retirement Board (Retirement Board), consisting of the Board of County Commissioners, the County Controller, the County Treasurer, an Employee Representative, and a Retiree Representative. Most administrative costs are incurred and paid by the Plan.

The Plan is established, administered, and funded under the authority of the "County Pension Law," Act 96 of 1971, as amended, enacted by the General Assembly of the Commonwealth of Pennsylvania. The Plan has no authority to establish or amend benefit terms with the exception of granting cost-of-living modifications and adjusting the rate of regular interest on member contribution accounts. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Board by a majority vote of its members. It is the policy of the Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. There is no stand-alone financial report of the Plan and the Retirement Board does not issue a public report including the Plan.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND JUNE 30, 2016

NOTE G - EMPLOYEE RETIREMENT PLAN - (Continued)

3. Benefits Provided

The Plan provides pension benefits for normal retirement at age sixty or at age fifty-five with twenty or more years of completed service. This is based on a formula including final average salary and years of credited service, in addition to the member's accumulated contribution to the Plan and interest earnings thereon. Early retirement is available at an earlier age as specified by the Plan. Members become vested after five years of service. All plan members are eligible for disability benefits after 5 years of service if disabled while in service and unable to continue as a county employee. Disability retirement benefits are equal to 25% of final average salary at the time of retirement. Death benefits for a member who dies with 10 years of service prior to retirement is the total present value of the member's retirement paid in a lump sum. A plan member who leaves the County service with less than 5 years of service may withdraw his or her contributions, plus accumulated interest.

On an ad hoc basis, cost-of-living adjustments to each member's allowance shall be reviewed at least once in every three years subsequent to the member's retirement date. The adjustment, should the County elect to give one, is a percentage of the change in the Consumer Price Index.

4. Employees Covered by Benefit Terms

As of January 1, 2017, the date of the last available actuarial report, employee membership data related to the pension plan was as follows:

Retirees and beneficiaries currently receiving benefits	1,234
Inactive plan members not yet receiving benefits	179
Active plan participants:	794
	<u>2,207</u>

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND JUNE 30, 2016

NOTE G - EMPLOYEE RETIREMENT PLAN - (Continued)

5. Contributions

Members of the Plan are required to contribute no less than 9% and no more than 19% of their earnings while employed by the County. All full-time and part-time employees expected to complete 1,000 hours of service in a twelve-month period when employed are required to participate in the Plan.

The Plan funding policy provides for periodic employer contributions at actuarially determined rates that are necessary to accumulate sufficient assets to pay benefits when due. The annual pension cost for 2016 was determined as part of an actuarial valuation as of January 1, 2016, using the entry age method.

The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations. However, the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

An actuarially determined contribution is recommended by the plan actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance an unfunded accrued liability. For the 2016 measurement period, the active member contribution rate was 9.0 percent of annual pay, and the County average rate was 3.30 percent of annual payroll.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND JUNE 30, 2016

NOTE G - EMPLOYEE RETIREMENT PLAN - (Continued)

6. Net Pension Liability (NPL)

The following are the components of the Plan's net pension liability (asset) and their balances as of December 31, 2016:

Total Pension Liability	\$ 289,544,951
Plan Fiduciary Net Position	290,226,618
Net Pension Liability (Asset)	<u>\$ (681,667)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)	<u>100.24%</u>

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation for the 2016 measurement period, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.5 percent, average, including inflation
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

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

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

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

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND JUNE 30, 2016

NOTE G – EMPLOYEE RETIREMENT PLAN – (Continued)

7. Long Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation for the 2016 measurement period are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Range</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	50%	+/-10%	5.5 - 6.5%
International Equity	10%	+/-10%	5.5 - 6.5%
Fixed Income	25%	+/-10%	1.3 - 3.3%
Real Estate	15%	+/-5%	4.5 - 5.5%
Cash	0%	+3%	0.0 - 1.0%

8. Discount Rate

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that County contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (i.e., no depletion date is projected to occur).

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND JUNE 30, 2016

NOTE G - EMPLOYEE RETIREMENT PLAN - (Continued)

9. Changes in the Net Pension Liability

	Increase / (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at 12/31/2015	\$ 286,536,084	\$ 283,860,317	\$ 2,675,767
Changes for the year:			
Service cost	5,164,460	-	5,164,460
Interest	20,919,790	-	20,919,790
Differences between expected and actual experience	(2,233,093)	-	(2,233,093)
Contributions - employer	-	1,265,160	(1,265,160)
Contributions - employee	-	3,278,822	(3,278,822)
Net investment income	-	22,894,917	(22,894,917)
Benefit payments, including refunds of employee contributions	(20,842,290)	(20,842,290)	-
Administrative expense	-	(227,808)	227,808
Other changes	-	(2,500)	2,500
Net changes	<u>3,008,867</u>	<u>6,366,301</u>	<u>(3,357,434)</u>
Balances at 12/31/2016	<u>\$ 289,544,951</u>	<u>\$ 290,226,618</u>	<u>\$ (681,667)</u>

10. Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of the County calculated using the discount rate, as well as what the County's net pension liability (asset) would be if they were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rates:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
County's Net Pension Liability (Asset)	\$ 26,282,080	\$ (681,667)	\$ (24,245,618)

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND JUNE 30, 2016

NOTE G - EMPLOYEE RETIREMENT PLAN - (Continued)

11. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2016, the County recognized pension expense of \$4,804,343 and reported deferred outflows of resources and deferred inflows of resources for pension related activities from the following sources:

	<u>Total Pension Liability</u>		<u>Plan Fiduciary Net Position</u>		<u>Total</u>
	<u>Outflow</u>	<u>(Inflow)</u>	<u>Outflow</u>	<u>(Inflow)</u>	
1. Deferred (Inflow)/Outflow of Resources as of December 31, 2015	\$ -	\$ (154,921)	\$ 15,177,901	\$ -	\$ 15,022,980
2. Prior Period One-Time Adjustment	-	1,195,734	-	-	1,195,734
3. Deferred (Inflow)/Outflow of Resources as of January 1, 2016: (1)-(2)	-	(1,350,655)	15,177,901	-	13,827,246
4. Differences between Expected and Actual Experience for 2016	-	(2,468,712)	-	(1,800,297)	(4,269,009)
5. Portion Recognized in 2016 Pension Expense	-	(806,808)	3,794,475	(360,059)	2,627,608
6. Deferred (Inflow)/Outflow of Resources as of December 31, 2016: (3)+(4)-(5)	<u>\$ -</u>	<u>\$ (3,012,559)</u>	<u>\$ 11,383,426</u>	<u>\$ (1,440,238)</u>	<u>6,930,629</u>
7. Change in Deferred (Inflow)/Outflow of Resources as of December 31, 2016: (6)-(3)					<u>\$ (6,896,617)</u>
* Determined as follows					
1. Projected Earnings on Plan Investments				\$ 19,751,852	
2. Actual Earnings on Plan Investments for 2016				<u>21,552,149</u>	
3. Differences between Expected and Actual Experience for 2016: (1)-(2)				<u>\$ (1,800,297)</u>	

For the 2016 measurement period, the County recognized pension expense of \$4,804,343, and amounts reported as deferred outflows of resources and deferred (inflows) of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2017	\$ 2,627,608
2018	2,627,608
2019	2,627,609
2020	(952,196)
2021	-
Thereafter	-
Total	<u>\$ 6,930,629</u>

COUNTY OF BEAVER, PENNSYLVANIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND JUNE 30, 2016

NOTE G - EMPLOYEE RETIREMENT PLAN - (Continued)

12. Payable to the Pension Plan

The County had no outstanding amount of contributions to the pension plan required for the year ended December 31, 2016.

13. Reserves

Under Act 96 of 1971, the Plan is required to maintain the following reserves:

Member Annuity Reserve Account: This reserve represents the total contributions deducted from the salaries of the active and terminated vested members of the retirement system together with accumulated interest additions. At January 1, 2017, the balance in this account was \$59,110,075 and it was fully funded.

County Annuity Reserve Account: This account represents the reserves set aside for the payment of the County's share of the retirement allowances. When a retirement annuity is scheduled to commence, sufficient monies are transferred from the County Annuity Reserve Account to the Retired Members' Reserve Account to provide for such an annuity. As of January 1, 2017, the balance in this account was \$12,385,389.

Retired Members' Reserve Account: This is the account from which monthly retirement allowances, including cost-of-living increases and death benefits, are paid. As of January 1, 2017, the balance in this account amounted to a fully funded \$156,797,561.

14. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Retirement Board report. A copy of the report may be obtained by writing to:

Beaver County Employees' Retirement Board
Beaver Courthouse
810 Third St
Beaver, PA 15009-2196

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND JUNE 30, 2016

NOTE G - EMPLOYEE RETIREMENT PLAN - (Continued)

Component Unit - CCBC

CCBC participates in a cost sharing defined benefit multiple-employer Public School Employees' Retirement System (PSERS) established under and administered by the authority of the Public School Employees' Retirement Code Act No. 96 of October 2, 1975, as amended (24 Pa. C.S. 8101-8535). PSERS is a component unit of the Commonwealth of Pennsylvania. A brief summary of the plan's provisions are as follows:

Pension Benefits - Eligible participants are entitled to a normal retirement allowance totaling 2.5% of the participants' final average compensation, as defined, multiplied by the number of years of credited service. The defined benefit for a participant leaving employment before attaining retirement age but completing five years is vested and early retirement benefits may be elected. The plan provides for retirement, death and disability benefits, legislatively mandated ad hoc cost-of-living adjustments, and healthcare insurance premium assistance to qualifying annuitants.

Retirement Age - Participants may retire with normal benefits at age sixty-two, age sixty with thirty or more years of service, or with thirty-five years of service regardless of age.

Death Benefits - When a participant dies in active service after attaining age sixty-two or ten years of service, the beneficiary is entitled to a death benefit equal to the benefit which would have been effective if the member retired on the day before death.

Disability Benefits - A participant who becomes disabled after completing five years of credited service is eligible for an annuity totaling 2.5% of the final average salary, as defined, multiplied by the number of years of credited service, but not less than one-third of such salary, nor greater than the benefit the member would have had at normal retirement age.

The employer and employee obligations to contribute are established by authority of the aforementioned Public School Employees' Retirement Code and require contributions by active members, participating employers, and the Commonwealth.

Contributions required of employers are based upon an actuarial valuation. For the fiscal year ended June 30, 2017, the rate of employer contribution was 25.84% of covered payroll. This rate is comprised of a 0.84% rate for health insurance premium assistance and a pension contribution rate of 25.0%.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND JUNE 30, 2016

NOTE G - EMPLOYEE RETIREMENT PLAN - (Continued)

Component Unit – CCBC – Continued

Pension expense for CCBC for the year ended June 30, 2016, totaled \$176,465 based on a total covered payroll of \$1,335,800. Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Member Class TC) or at 6.5% (Member Class TD) of the member's qualifying compensation. Members who joined the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Member Class TC) or at 7.5% (Member Class TD) of the member's qualifying compensation. Members who joined the System after June 30, 2001, contribute at 7.5% (automatic Member Class TD). For all new hires and for members who elected Class TD membership, the higher contribution rates began with service rendered on or after January 1, 2002. Members who joined the System after June 30, 2011, contribute at 7.5% (Member Class TE) or at 10.3% (Member Class TF). CCBC employees contributed \$98,739 to the PSERS for the year ended June 30, 2016.

The PSERS issues a comprehensive annual financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to Diane J. Wert, Office of Financial Management and Budget, Public School Employees' Retirement System, P.O. Box 125, Harrisburg, PA 17108-0125.

This publication is also available on the PSERS website at:
<http://www.psers.state.pa.us/publications/general/cafr.htm>.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND JUNE 30, 2016

NOTE H - DEFERRED COMPENSATION PLAN

The County offers its employees a deferred compensation plan established in accordance with Internal Revenue Code Section 457. The Beaver County, PA Deferred Compensation Plan No. 638001 (the Plan), a single employer defined contribution plan, is available to substantially all County employees, and it enables them to defer a portion of their compensation for purposes of retirement savings. The Plan's administrator is Rivers Edge and for the year ended December 31, 2016, total employee contributions amounted to \$310,406. There were no employer contributions for this same period. Participation in the Plan is optional. The deferred compensation is not available for withdrawal until termination, retirement, death or an unforeseeable emergency. During 1997, the County placed all assets of the Plan in a custodial account. As a result, and in accordance with GASB Statement No. 32, the Plan's assets have been removed from the County's Agency Fund.

Component Unit – BCTA

BCTA maintains two Simplified Employees' Pension Plans, a type of single-employer defined contribution plan, for salaried and hourly employees. BCTA is the plans' administrator and it agrees to contribute annually a percentage of the participants' salaries, but not exceeding the federally mandated maximum for such plans. All full-time employees who earn at least \$450 in any three of the last five calendar years are eligible to participate in the plans. Participants are not required to contribute to the plans. BCTA's contributions amounted to approximately \$142,313 for the year ended June 30, 2016.

Component Unit - CCBC

CCBC established a Teachers Insurance and Annuity Association/College Retirement Equities Fund (TIAA-CREF), under Section 403 (b) of the Internal Revenue Code, for eligible employees. This TIAA-CREF is a single-employer defined contribution plan administered by CCBC. Under the plan, individual contracts are entered into for covered employees. Employees are fully vested, and the contract fully funded, in accordance with the terms of the contract. Employee contributions are 5% of covered compensation. Employer contributions vary according to compensation levels and the employees' position at CCBC. During the year ended June 30, 2016, CCBC contributed \$738,913 to this retirement plan.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND JUNE 30, 2016

NOTE I – SHORT-TERM DEBT

On January 4, 2016, the County entered into a tax revenue anticipation note agreement with a financial institution for the purpose of meeting current expenditures. The note provided for borrowings of \$13,000,000 bearing interest at 1.20%. The County paid all principal and accrued interest in 2016, prior to the note's maturity date.

Beginning Balance at January 1, 2016	Borrowings	Repayments	Ending Balance at December 31, 2016
\$ 9,545,995	\$ 13,000,000	\$ (22,545,995)	\$ -

The beginning balance represents the outstanding balance of the TRAN issued in 2015. The County issued a check on December 29, 2015 payable to Huntington Public Cap Corp that was in excess of the funds available in the bank account by approximately \$8.3 million. The above mentioned balance was cleared on January 4, 2016.

Component Unit - BCTA

BCTA maintains two \$500,000 demand lines of credit with a financial institution. One credit facility is restricted to purposes of the Medical Assistance Transportation Program. The terms of the agreements call for interest to be charged based on a percentage of prime rate on any outstanding balance. There are no outstanding balances as of June 30, 2016.

Component Unit - CCBC

On August 21, 2009, CCBC entered into a working capital line of credit note for \$1,500,000. During the 2015-2016 fiscal year, CCBC signed documents with First National Bank to extend the total available line of credit by an additional \$4,500,000. The terms of the note call for a per annum rate of interest up to 3%. The general revenues of CCBC serve as collateral on this note. There is an outstanding balance of \$759,092 on this line of credit as of June 30, 2016.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND JUNE 30, 2016

NOTE J - LONG-TERM LIABILITIES

The following summarizes the long-term debt activity for the year ended December 31, 2016:

	Interest Rate	Issued	Maturity	Balance January 1, 2016	Additions	Reductions	Balance December 31, 2016	Due Within One Year
<u>Governmental Activities</u>								
General Obligation Bonds								
Series of 2009 Notes	2.50-5.55	02/12/2009	11/15/2031	\$ 63,180,000	\$ -	\$ (60,185,000)	\$ 2,995,000	\$ 100,000
Series A of 2016	2.12-5.00	05/15/2016	11/15/2025	-	11,005,000	-	11,005,000	730,000
Series B of 2016	1.59-4.23	05/15/2016	11/15/2032	-	103,635,000	-	103,635,000	2,800,000
				<u>63,180,000</u>	<u>114,640,000</u>	<u>(60,185,000)</u>	<u>117,635,000</u>	<u>3,630,000</u>
Other General Long-Term Liabilities								
Pension Bond of 2005	4.75-5.65	12/22/2005	12/15/2030	10,615,000	-	(10,615,000)	-	-
PFA Series A of 2005	3.75-5.60	05/27/2005	10/01/2029	2,330,000	-	(2,330,000)	-	-
Pension Bond of 2009	3.86-6.50	07/08/2009	05/15/2032	19,010,000	-	(19,010,000)	-	-
DCED GOB	1.00	08/01/2011	07/01/2021	33,359	-	(5,827)	27,532	5,888
PFA Series of 2012	2.00-4.00	10/01/2012	10/01/2031	3,370,001	-	(450,001)	2,920,000	465,000
PFA Series of 2013	0.70-2.60	05/15/2013	11/15/2024	9,595,000	-	(870,000)	8,725,000	885,000
				<u>44,953,360</u>	<u>-</u>	<u>(33,280,828)</u>	<u>11,672,532</u>	<u>1,355,888</u>
(Discount)/Premium				<u>(1,221,704)</u>	<u>973,545</u>	<u>1,155,089</u>	<u>906,930</u>	<u>-</u>
Total Governmental Activities				<u>\$ 106,911,656</u>	<u>\$ 115,613,545</u>	<u>\$ (92,310,739)</u>	<u>\$ 130,214,462</u>	<u>\$ 4,985,888</u>

The following is a brief description of the outstanding debt issues of the County:

Governmental

Series of 2009 Notes

In 1997, the County issued \$61,060,000 of General Obligation Bonds, Series of 1997 (the 1997 Bonds), for the purpose of refunding the General Obligation Bonds, Series of 1996. On November 1, 2007, the County issued \$59,200,000 in General Obligation Bonds, Series B of 2007 (the 2007 Bonds), which were used to defease the then remaining balance of the 1997 Bonds. The amount of debt refinanced and considered defeased as a result of this issuance was \$58,125,000. The interest on these bonds was variable and paid monthly as determined by a third party with the purpose of aligning the bonds' interest rate to market conditions. All of the 1997 Bonds previously defeased have been redeemed on or prior to December 31, 2012.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND JUNE 30, 2016

NOTE J - LONG-TERM LIABILITIES – (Continued)

On February 12, 2009, the County issued \$72,685,000, of General Obligation Notes, Series of 2009 at a discount of \$1,117,031, for the purpose of refunding the 2007 Bonds, terminating the 2006 Swap Agreement, and to finance various capital projects. From the proceeds of the issuance, approximately \$58.7 million was for the refunding of the 2007 Bonds, \$6.9 million was for the termination of the Swap Agreement, and \$4.8 million was for capital projects of the County. This debt issue was shared with the County's former long-term health care facility. As of December 31, 2016, all of the defeased 2007 Bonds have been redeemed. The bonds outstanding as of December 31, 2016, amounted to \$2,995,000, which are scheduled to be paid by mandatory sinking fund payments, ranging from \$95,000 to \$395,000, take effect in 2014 and continue through bond maturity on November 15, 2031.

The outstanding bonds not allocated to the County's former long-term health care facility were refinanced and considered defeased in May 2016 by the issuance of the General Obligations Bonds, Federally Taxable Series B of 2016.

General Obligation Bonds, Series A of 2016 and General Obligation Bonds, Federally Taxable Series B of 2016

In May 2016, the County issued \$11,005,000 of tax-exempt general obligation bonds and \$103,635,000 of taxable general obligation bonds to advance refund \$2,330,000 of Federally Taxable General Obligations Bonds Series A of 2005, \$550,000 of Federally Taxable General Obligations Bonds Series B of 2005, \$10,615,000 of Federally Taxable General Obligation Pension Bonds, Series of 2005, \$10,984,944, including accrued interest, of Guaranteed Lease Revenue Bonds, Series of 2008 ("911 Center"), \$19,010,000 of Federally Taxable General Obligation Pension Bonds, Series of 2009, and \$60,090,000 of General Obligation Notes, Series of 2009. Net proceeds of \$114,298,594 were deposited with an escrow agent to provide for all future debt service payments related to the above advance refunded bonds and lease.

This advance refunding reduced the County's total debt service payments over the next 15 years by almost \$9.6 million, and results in an economic gain (the difference between the present values of the debt service payments on the old and new debt) of approximately \$9.0 million. A deferred amount on refunding of \$12,451,970 has been recognized, which, as of December 31, 2016, is recorded in the government-wide Statement of Net Position with a balance of \$9,339,210. Interest on this issue is payable semiannually at annual rates from 1.6% to 5.0%. Combined yearly principal maturities range from \$3,530,000 to \$10,545,000. Series A Bonds mature on November 15, 2025, while the Series B Bonds mature November 15, 2032.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND JUNE 30, 2016

NOTE J - LONG-TERM LIABILITIES – (Continued)

On December 22, 2005, the County issued \$13,675,000 of Federally Taxable General Obligation Pension Bonds, Series of 2005, with the intent of reducing volatility in annual required contributions to the County's retirement system. The proceeds of these bonds, net of issuance costs and discounts, were contributed to the County retirement system's trust fund.

The County advance refunded these bonds through the issuance of the General Obligation Bonds, Federally Taxable Series B of 2016.

PFA Series A of 2005

The County entered into a loan agreement with the PFA on May 27, 2005, in the amount of \$3,240,000. The majority of these proceeds were granted to a local performing arts center for construction purposes. The County's payments under this loan agreement equal the debt service requirements on the PFA's Federally Taxable Guaranteed Revenue Bonds, Series A of 2005, of which the County is a guarantor.

The County advance refunded these bonds through the issuance of the General Obligation Bonds, Federally Taxable Series B of 2016.

Pension Bond of 2009

On July 8, 2009, the County issued \$19,135,000 of Federally Taxable General Obligation Pension Bonds, Series of 2009, at a discount of \$622,028, with the intent of reducing volatility in annual required contributions to the County's retirement system. The proceeds of these bonds, net of issuance costs and discounts, were contributed to the County retirement system's trust fund. The County allocated one half of this obligation to its governmental activities and the other half to its former long-term health care facility.

The County advance refunded these bonds through the issuance of the General Obligation Bonds, Federally Taxable Series B of 2016.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND JUNE 30, 2016

NOTE J - LONG-TERM LIABILITIES – (Continued)

DCED General Obligation Note

The County entered into a loan agreement as the maker of a general obligation note with the Commonwealth Finance Authority for \$58,403 to finance a portion of the expenses related to upgrading the lighting around the courthouse and magistrate offices. The interest rate is fixed at 1.00% per year. Payments began in August 2011 and will continue in monthly installments ranging from \$461 to \$560 through maturity in July 2021.

PFA Series of 2012

On May 1, 2012, the County executed two agreements with the PFA to refinance several debt obligations of the County, including the County's former long-term health care facility. This generated the issuance of the Pennsylvania Finance Authority, County of Beaver Guaranteed Revenue Bonds, Series of 2012 (the "PFA Series of 2012"), at a face value of \$15,670,000.

The debt refundings that took place are hereby depicted:

	Governmental Activities	Former Long-Term Health Care Facility
Issuance of debt - face value	\$ 7,958,208	\$ 301,792
Current refunding payments:		
Series A of 2005	(1,726,413)	-
PFA Series A of 2006	(3,040,135)	(290,970)
PFA 2006 Bonds	(3,029,155)	-

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND JUNE 30, 2016

NOTE J - LONG-TERM LIABILITIES – (Continued)

PFA Series of 2012 – Continued

Additionally, \$7,410,000 of the PFA Series of 2012 was applied to refinance the Human Services Building Lease (see below) and \$217,143 remaining in proceeds was placed in the governmental Capital Bond fund restricted for purposes of capital assets investment. Debt proceeds available for refunding and capital projects were reduced by an original issue discount of \$35,127 and issuance costs of \$218,576. The refunding of the Series A of 2005, the PFA Series A of 2006, and the PFA 2006 Bonds generated \$523,660 in combined debt service savings over the repayment span of the PFA Series of 2012 and the transaction yielded an economic gain of \$353,084 for the governmental activities. A deferred amount on refunding of \$126,390 has been recognized for the governmental activities, which, as of December 31, 2016, is recorded in the government-wide Statement of Net Position with a balance of \$43,241. Amortization of this amount is recorded yearly as interest expense. Interest on this issue is payable semiannually at annual rates from 2.0% to 4.0%. Debt service payments started in October 2012 and end in October of 2025. Payments to satisfy the lease portion under the PFA Series of 2012 continue until October 2031. Combined yearly principal maturities range from \$360,000 to \$2,225,000. Mandatory bond sinking fund payments start in the year 2023. The bonds maturing after April 1, 2022, can be redeemed early at the option of the PFA upon the written direction of the County.

PFA Series of 2013

In March of 2013, the County executed an agreement with the PFA to refinance the General Obligation Bonds, Series A of 2007, a debt obligation of the County, including the County's former long-term health care facility. This generated the issuance of the Pennsylvania Finance Authority, County of Beaver Guaranteed Revenue Bonds, Series of 2013 (the "PFA Series of 2013"), at a face value of \$10,350,000. The advance refunding was accomplished by placing \$9,661,258 in a third-party trust fund. This resulted in a net economic gain of \$76,003 and net cash flow savings of \$435,935 over the term of the PFA Series of 2013, both recognized in total for the County. A total deferred amount on refunding of \$898,782 has been recorded as well in 2013. At December 31, 2016, the outstanding balance of unamortized deferred amount on refunding for this issue is \$513,695 and it is presented in the government-wide Statement of Net Position. Amortization of this amount is recorded yearly as interest expense. Interest is paid semiannually at annual coupon rates ranging from 0.7% to 2.6%. The bonds mature in annual installments ranging from \$190,000 to \$1,490,000 ending in 2024. Early redemption of the bonds is permitted starting in November 2021 as an option of the County.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND JUNE 30, 2016

NOTE J - LONG-TERM LIABILITIES – (Continued)

Changes in the rate of interest payable on the various outstanding bonds are determined by the applicable bond indentures.

The aggregate amount of debt service requirements for the primary government, which includes outstanding General Obligation Bonds and Other General Long-Term Liabilities, during the next five years and thereafter is as follows:

	Principal	Interest
2017	\$ 4,985,888	\$ 4,434,418
2018	6,740,948	4,344,268
2019	6,896,008	4,191,460
2020	7,071,069	4,020,404
2021	8,668,619	3,819,089
2022-2026	38,330,000	15,513,122
2027-2031	46,070,000	8,014,470
2032-2036	10,545,000	445,948
	129,307,532	44,783,179
Unamortized Premium / (Discount)	906,930	(906,930)
	\$ 130,214,462	\$ 43,876,249

The following summarizes other long-term obligation activity for the primary government for the year ended December 31, 2016:

	Balance January 1, 2016	Additions	Reductions	Balance December 31, 2016	Due Within One Year
Capital Lease Obligations	\$ 15,514,970	\$ -	\$ (9,554,212)	\$ 5,960,758	\$ 310,275
Compensated Absences	1,138,251	216,378	(189,822)	1,164,807	157,854
Early Termination Benefits	-	2,456,322	(710,000)	1,746,322	671,106
County-wide	\$ 16,653,221	\$ 2,672,700	\$ (10,454,034)	\$ 8,871,887	\$ 1,139,235

In April 2016, the County offered an early termination retirement package to eligible employees. Employees who accepted the package were paid \$10,000 in the year of retirement with an additional \$9,000 in the year following retirement, and \$8,000 in the two years thereafter. There were 71 employees who accepted the early retirement incentive. See Note A for additional information on the assumptions used to calculate the liability.

Typically, long-term liabilities, other than those arising from the issuance of bonds or other long-term debt agreements, are liquidated by the funds incurring such liabilities.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND JUNE 30, 2016

NOTE J - LONG-TERM LIABILITIES - (Continued)

Capital Lease Obligations

The County has recorded the following leased assets of the primary government in the government-wide Statement of Net Position:

Land	\$	392,984
Buildings		8,306,820
Equipment		81,604
Vehicles		167,740

Human Services Building Lease

The County entered into a lease agreement with the PFA during 2002. The lease is for a building to consolidate office locations of the County's Human Services agencies. Construction of this building was financed by the PFA's issue of \$7,865,000 Guaranteed Lease Revenue Bonds, Series A of 2002. The County is the guarantor of this bond issue and of the minimum lease payments over the lease term. The monthly payment under this lease amounts to approximately \$44,000 through September 2031. The County shall have the right to acquire title to the property for no additional consideration at the earlier of the expiration of the lease or when the bond issue related to the financing of this building is no longer outstanding. This lease agreement was amended effective October 15, 2006, as a consequence of the refunding of the PFA's Guaranteed Lease Revenue Bonds, Series A of 2002, and again on May 1, 2012, through a portion of the PFA Series of 2012 issue. The amended lease payments cover the debt service on \$7,410,000 of the PFA Series of 2012, which the County guarantees. All other lease terms remain unchanged.

The outstanding balance of this capital lease obligation at December 31, 2016, is approximately \$5,395,000. This amount is recorded as a liability of the primary government in the Statement of Net Position. The agreement also requires the County to pay for bond maintenance fees, real estate taxes, and other miscellaneous lease-related charges.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND JUNE 30, 2016

NOTE J - LONG-TERM LIABILITIES - (Continued)

Capital Lease Obligations – Continued

Land

A land lease for the aforementioned Human Services building and related parking facilities is in effect with the PFA. The lease calls for monthly payments through September 2026, amounting to a total principal of approximately \$217,900 remaining as of December 31, 2016. Payments are due monthly at \$2,400 each. The County acquires title to the land upon expiration of the lease at no additional cost.

Community Development Building Lease

A second lease agreement was entered into in 2002 between the County and the city of Beaver Falls. The lease is for a building to house the Community Development Program of Beaver County and a parking lot. The outstanding balance of this capital lease obligation at December 31, 2016, is approximately \$241,700. Payments under this lease are due every three months at \$8,000 each, for a term ranging through September 2026. The building's title transfers to the County upon expiration of the lease at no additional cost.

Conservation Building Lease

On May 15, 2005, the County entered into an agreement of lease and sublease with the PFA for a building known as the Conservation Building. The County received \$700,000 from the PFA as a prepayment of its lease obligation. The agreement further provides for the County to sublease the Conservation Building from the PFA. In addition, the County has leased this facility to another party. This transaction was recorded by the County as a disposal.

The County advance refunded the remaining balance on the PFA outstanding bonds through the issuance of the General Obligation Bonds, Federally Taxable Series B of 2016.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND JUNE 30, 2016

NOTE J - LONG-TERM LIABILITIES - (Continued)

Capital Lease Obligations – Continued

911 Center Lease

The County entered into a capital lease agreement with the Beaver County Economic Development Authority in November 2008 for the acquisition of land and construction of a building to house the Beaver County 911 Center. This lease began in November 2008.

As described earlier in this Note J, the County issued General Obligation Bonds, Series A of 2016. These proceeds were used to defease the outstanding bonds of the Beaver County Economic Development Authority.

Equipment Leases

In June 2012, the County entered into a capital lease agreement for computer software and hardware to be used throughout the County's facilities. This lease continued through June 2016, when the County took over ownership of this equipment.

Vehicle Leases

The County entered into a capital lease agreement in 2006 for a motorcycle for the Sheriff's department at a cost of \$100 per month. The outstanding principal at December 31, 2016, on this lease is around \$16,700.

In 2013, the County entered into a capital lease arrangement for six new vehicles dedicated to the Sheriff's department, for a lease term of forty-eight months and a total amount financed of \$165,029 plus interest at an annual rate of 5.70%. The lease ended in August 2016, at which time the County took over ownership of the vehicles.

The County entered into a capital lease arrangement in 2014 for a total of eight new vehicles dedicated to the District Attorney's office for a total amount financed of \$147,963. The outstanding principal balance on this lease at December 31, 2016, is roughly \$89,500.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND JUNE 30, 2016

NOTE J - LONG-TERM LIABILITIES - (Continued)

Capital Lease Obligations – Continued

The following schedule summarizes the primary government’s future minimum lease payments due:

	<u>Land</u>	<u>Buildings</u>	<u>Other</u>	<u>Total Minimum Lease Payments</u>
2017	\$ 28,800	\$ 562,148	\$ 30,599	\$ 621,547
2018	28,800	559,648	30,599	619,047
2019	28,800	561,518	30,599	620,917
2020	28,800	557,631	30,601	617,032
2021	28,800	558,238	2,085	589,123
2022-2026	136,800	2,794,003	6,000	2,936,803
2027-2031	-	2,639,980	6,000	2,645,980
2032-2036	-	-	6,000	6,000
	<u>280,800</u>	<u>8,233,166</u>	<u>142,483</u>	<u>8,656,449</u>
Less: Interest	(62,925)	(2,596,421)	(36,345)	(2,695,691)
Present Value	<u>\$ 217,875</u>	<u>\$ 5,636,745</u>	<u>\$ 106,138</u>	<u>\$ 5,960,758</u>

The interest rates used to calculate the amount representing interest costs were obtained from the individual lease agreements. The blended interest rate is approximately 4.5%.

Minimum lease payment amounts due within one year by the primary government are reported as follows in the government-wide Statement of Net Position:

	<u>Land</u>	<u>Buildings</u>	<u>Other</u>	<u>Total Minimum Lease Payments</u>
2017 Payment	\$ 28,800	\$ 562,148	\$ 30,599	\$ 621,547
Less: Interest	(10,913)	(292,328)	(8,031)	(311,272)
Present Value	<u>\$ 17,887</u>	<u>\$ 269,820</u>	<u>\$ 22,568</u>	<u>\$ 310,275</u>

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND JUNE 30, 2016

NOTE J - LONG-TERM LIABILITIES - (Continued)

Long-Term Liabilities Summary

Future long-term debt obligations of the primary government are depicted below:

Due within one year:		
Obligations under bond issuances	\$	4,985,888
Obligations under capital leases		310,275
Compensated absences		157,854
Early termination benefits		671,106
Total	\$	<u>6,125,123</u>
Due in more than one year:		
Obligations under bond issuances	\$	124,321,644
Plus: Bond Premium		906,930
Obligations under capital leases		5,650,483
Compensated absences		1,006,953
Early termination benefits		1,075,216
Total	\$	<u>132,961,226</u>

Certain bond issuances of the County are subject to federal arbitrage regulations. The County does not believe that it is in violation of these arbitrage regulations. Additionally, Beaver County is subject to certain provisions of the Local Government Unit Debt Act of the Commonwealth of Pennsylvania which limits the amount of debt that the County can issue. As of December 31, 2016, the County's legal debt margin is approximately \$79 million for non-electoral debt and approximately \$250 million for non-electoral and lease rental debt combined.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND JUNE 30, 2016

NOTE J - LONG-TERM LIABILITIES - (Continued)

Liquidation of Long-term Liabilities

All outstanding long-term liabilities related to the primary government have historically been liquidated as follows:

- The Human Services Building and land leases have been liquidated by the following funds: Mental Health / Intellectual Disabilities, Children & Youth, and Office on Aging.
- The Community Development Building and related parking lot lease has been fully liquidated by the Community Development Fund.
- All computer leases have been fully liquidated by the General Fund.
- Compensated absences have been liquidated according to the following chart. The amount paid by each fund is based on benefits earned by the employees of that fund.

<u>Fund</u>	<u>Liquidation %</u>
General Fund	63%
Mental Health / Intellectual Disabilities	15%
Children & Youth	9%
Community Development	1%
HealthChoices	1%
Other Governmental Funds	10%

- Early termination benefits have been liquidated by the General Fund.
- Long-term debt has been liquidated by the General Fund, except as noted above.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND JUNE 30, 2016

NOTE J - LONG-TERM LIABILITIES - (Continued)

Component Unit – CCBC

Outstanding Debt Issuances

In December of 2015, the Pennsylvania Finance Authority issued \$5,630,000 in College Revenue Bonds - Series of 2015. The bonds were issued to provide funds to the College for the purchase of land adjacent to the campus, to provide funds for college building renovations, and to pay for the costs of issuing the bonds. In connection with the issuance of the Bonds, the Authority entered into a Loan Agreement with the Community College of Beaver County (CCBC), whereby the Authority will loan the proceeds of the bonds to the College. The loan agreement requires the College to make loan repayments to the Authority in an amount sufficient to pay the debt service requirements of the Bonds. The obligation of the College under the loan agreement is evidenced by a signed general obligation promissory note dated as of December 2015. The Authority bonds were issued in denominations of \$5,000 with interest payable on June 1 and December 1 each year through maturity. The Interest rates on the bonds is 2%-3.75% with the bonds scheduled to mature June 1, 2036. The bonds provide for early redemption options as detailed in the official statement of issue.

In August of 2012, the Pennsylvania Finance Authority issued \$2,890,000 in College Revenue Bonds – Series of 2012. The bonds were issued to refund the outstanding amount of Community College Revenue Bonds – Series of 1998, and to pay for the costs of issuing the bonds. In connection with the issuance of the bonds, the Authority entered into a loan agreement with CCBC, whereby the Authority will loan the proceeds of the bonds to the College. The loan agreement requires CCBC to make loan repayments to the Authority in an amount sufficient to pay the debt service requirements of the bonds. The obligation of CCBC under the loan agreement is evidence by a signed general obligation promissory note dated as of February 1, 1998. The Authority bonds were issued in denominations of \$5,000 with interest payable on June 1 and December 1 of each year through maturity. The interest rate on the bonds is 2% with the bonds scheduled to mature December 1, 2019. The bonds provide for early redemption options as detailed in the official statement of issue.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND JUNE 30, 2016

NOTE J - LONG-TERM LIABILITIES - (Continued)

Component Unit – CCBC – Continued

In April 2007, the PFA issued \$27,780,000 in College Revenue Bonds – Series of 2007 to finance new construction, additions and renovations on the campus of CCBC. In connection with the issuance of the Bonds, the PFA entered into a Loan Agreement with CCBC, whereby the PFA will loan the proceeds of the bonds to CCBC. The loan agreement requires CCBC to make loan payments to the PFA in an amount sufficient to pay the debt service requirements of the Bonds. The obligation of CCBC under the loan agreement is evidenced by a signed general obligation promissory note dated April 15, 2007. The PFA bonds were issued in denominations of \$5,000 with interest payable on May 15 and November 15 of each year through maturity. Interest rates range between 3.50% and 4.375% with the bonds scheduled to mature December 1, 2031. The bonds provide for early redemption options as detailed in the official statement of issue.

CCBC has also advance refunded the Series A of 1994 Community College Revenue Bonds. In doing so, the PFA entered into an irrevocable trust agreement with PNC Bank to purchase U.S. Government Securities in an amount sufficient to fully service the defeased 1994 Bond Issue debt as it matures or is called. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability of the CCBC.

In connection with the issuance of the College Revenue Bonds – Series of 2007 and Series of 2015, CCBC received an original issue discount of \$452,585 which is being amortized over the life of the bond issue. Bond discount amortization for the years ended June 30, 2016 was \$17,814 and \$17,034 respectively and is included as a component of interest expense. The unamortized portion of the bond discount of \$297,082 at June 30, 2016 is deducted from the long-term portion of notes payable.

In connection with the issuance of the College Revenue Bonds – Series of 2012, CCBC received an original issue premium of \$46,007 which is being amortized over the life of the bond issue. Bond premium amortization for the years ended June 30, 2016 was \$7,361 and is included as a component of interest expense. The unamortized balance of \$17,789 at June 30, 2016 is added to the long-term portion of notes payable.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND JUNE 30, 2016

NOTE J - LONG-TERM LIABILITIES - (Continued)

Component Unit – CCBC – Continued

In connection with the refunding, the excess of the reacquisition price over the net carrying amount of refunded debt is recorded as a reduction to long-term debt on the balance sheet and amortized over the shorter of the term of the refunding issue or the refunded bonds. CCBC incurred a deferred refunding loss of \$569,680 which is being amortized over the life of the refunding issue using the straight-line method. During the year ended June 30, 2016, CCBC amortized \$30,267 of this loss which is shown as part of interest expense. The unamortized balance of \$73,145 at June 30, 2016, is deducted from the long-term portion of notes payable.

A summary of CCBC's general obligation promissory notes outstanding, due to the PFA at June 30, 2016, is as follows:

June 30,	Principal	Interest	Total
2017	\$ 1,075,000	\$ 1,183,566	\$ 2,258,566
2018	1,100,000	1,151,341	2,251,341
2019	1,135,000	1,116,616	2,251,616
2020	1,175,000	1,079,991	2,254,991
2021	1,640,000	1,031,341	2,671,341
2022-2026	9,195,000	4,129,150	13,324,150
2027-2031	11,300,000	2,030,180	13,330,180
2032-2036	3,950,000	210,106	4,160,106
	<u>\$ 30,570,000</u>	<u>\$ 11,932,291</u>	<u>\$ 42,502,291</u>

Capital Lease Obligations

CCBC currently leases copier equipment from Xerox for use in its publications department. The terms of the lease agreement dated July 1, 2015, calls for monthly payments of \$12,600. Lease expense for the year ended June 30, 2016 was \$151,200. This lease will terminate on June 30, 2020.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND JUNE 30, 2016

NOTE J - LONG-TERM LIABILITIES - (Continued)

Component Unit – CCBC – Continued

Compensated Absences and Other Post-Employment Benefits

The terms of the collective bargaining agreements between the CCBC and the Community College of Beaver County Society of the Faculty and Educational Support Personnel Association provide for the accumulation of sick and vacation days for eligible personnel based on employment status and length of service. As of June 30, 2016, accumulated compensated absences totaled \$580,830.

As per the terms of the collective bargaining agreements between CCBC and its collective bargaining units, CCBC continues to provide post-retirement healthcare benefits for eligible employees and the employees' spouses who elect early retirement. Per the collective bargaining agreements, these early retirement program benefits provide retired members with the option to pay his/her own insurance at group rates through CCBC.

Additionally, CCBC provides special one-time early retirement incentives to eligible members of the Beaver County Society of the Faculty, the amounts of which are dependent upon the collective bargaining agreement under which the eligible member retired. The terms of the current collective bargaining agreement provide for the payment of graduated amounts per year toward health insurance, depending on retirement age, up to a maximum of \$7,000 per year for a period of three years (commencing August 31, 2010). As of June 30, 2016, the total calculated liability for retiree health insurance benefits and early retirement incentives totaled \$313,819.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND JUNE 30, 2016

NOTE K - CONTINGENCIES

The County participates in a number of federal and state assisted grant programs. These grants are potentially subject to program compliance audits by the grantors. Such audits could result in expenditures being disallowed and funds being due back to the grantor agencies. The amount of expenditures that may be disallowed in the future, if any, cannot be determined at this time.

The County is party to exposure from various claims and other legal proceedings. They include, but are not limited to, employment, civil rights, medical malpractice, and personal injury matters. The County has also faced legal proceedings related to the failure to develop a storm water management plan in recent years.

Management has provided for certain matters, where considered necessary, in the financial statements. For other claims, management is of the opinion that these matters will not have a material effect on the County's financial position or it is too early in the litigation stage to evaluate the likelihood of an outcome or the range of potential loss.

Countywide Tax Reassessment Complaint

In December 2015, a Complaint was filed against the County for a countywide reassessment. This matter is currently pending with the Court. Since the complaint was filed, several conferences have been held with the judge regarding the matter. A hearing has been scheduled for August 2017, in which the judge will decide whether the County is or is not subject to perform a reassessment.

Component Unit - BCTA

BCTA's state and federally funded programs are subject to audit by various governmental agencies. BCTA is potentially liable for any expenses disallowed by the results of these audits. On July 7, 2015, the Federal Transit Administration (FTA) issued the final results of FY 2015 Triennial Review conducted during the 2014-2015 fiscal year. The Review focuses on seventeen areas of compliance related to the Authority's operations. Deficiencies were noted in six areas which either have been closed or are currently being addressed by management of the Authority for closure by the FTA. Management does not consider any of these deficiencies material to its financial position or results of operations. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenses.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND JUNE 30, 2016

NOTE K – CONTINGENCIES - (Continued)

Component Unit - CCBC

CCBC's state and federally funded programs are subject to audit by various governmental agencies. CCBC is potentially liable for any expenses disallowed by the results of these audits. The Commonwealth of Pennsylvania's Office of Labor, Education and Community Services conducts annual audits of CCBC's Claim for Subsidy Reimbursement submitted annually to the Commonwealth. Management is not aware of any items of noncompliance which would result in the disallowance of program expenses.

CCBC is potentially liable for any costs of program non-compliance, not covered by commercial insurance, incurred by its Police Technology Program as a result of a program audit conducted by the Commonwealth of Pennsylvania. CCBC recorded an initial estimated liability of \$150,000 during the 2003-2004 fiscal year to cover these potential costs. As of June 30, 2016, the remaining unused portion of this estimated liability was \$143,822.

NOTE L - RISK MANAGEMENT

The County is exposed to various risks of loss including loss of property, torts, errors and omissions, use of County owned vehicles, workers' compensation incidents, and employee health benefits. The County handles exposure to these risks in various ways.

Property/Casualty Exposures

The County is a member of Pennsylvania Counties Risk Pool (PCoRP) which provides insurance coverage for general liability, public official's liability, law enforcement liability, property loss, vehicle usage, and crime. There have been no significant changes in PCoRP coverage in the past three years and settled claims have not exceeded the coverage provided in those years. PCoRP is a public entity risk pool exclusively for member counties of the County Commissioners Association of Pennsylvania. PCoRP was organized as a property/casualty self-insurer and it provides coverage through its self-insured retention fund of claims less than \$450,000 for liability, \$350,000 for crime, \$250,000 for cyber liability, \$250,000 for property, and \$50,000 for equipment breakdown. There is a deductible of \$50,000 for general liability, \$5,000 for crime, \$2,500 for cyber liability, \$25,000 for property, and \$1,500 for equipment breakdown, per occurrence. PCoRP purchases excess coverage for claims over that threshold up to a maximum limit of \$5,000,000 for liability, \$1,000,000 for crime, \$750,000,000 for property, and \$100,000,000 for equipment breakdown. Members pay premiums to cover the costs of administration, excess insurance, and loss control services. The premium is adjusted annually to reflect both the costs of excess insurance and the most recent five-year experience with members.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND JUNE 30, 2016

NOTE L - RISK MANAGEMENT – (Continued)

HealthChoices Exposures

The County has entered into an agreement with the Commonwealth of Pennsylvania's Department of Human Services (Commonwealth) for the HealthChoices Behavioral Health Program. Under the terms of the contract, the County is fully exposed to the risk that behavioral healthcare services provided under this program to eligible enrollees will exceed the revenue provided by the Commonwealth to the County.

The term of the current contract between the County and the Commonwealth is from January 1, 2014 through December 31, 2018. Under this contract either party has the option to terminate the agreement without cause upon one-hundred twenty days' notice to the other party.

The County accrues an estimate of its health care cost liability at the end of each accounting period. The estimate is developed using a process that accounts for the lag between the point in time that payment is made for a service and the point in time that the County became liable for the service. The County's estimated medical claims liability is reviewed and certified by an independent actuarial firm on a quarterly basis.

The following table shows the changes in the actuarially certified estimated medical claims liability of the HealthChoices Program:

	<u>HealthChoices</u>
Liability balance - January 1, 2015	\$ 2,400,000
Incurred claims and estimates	26,282,280
Less: Claims paid during period	<u>26,382,280</u>
Liability balance - December 31, 2015	2,300,000
Incurred claims and estimates	31,920,745
Less: Claims paid during period	<u>31,220,745</u>
Liability balance - December 31, 2016	<u>\$ 3,000,000</u>

The County maintains a cash reserve that can be drawn upon in the event program expenditures exceed revenue. The balance of these reserve accounts is approximately \$7.7 million. This entire balance is available to cover losses in future periods.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND JUNE 30, 2016

NOTE L - RISK MANAGEMENT – (Continued)

Employee Health Care and Workers' Compensation

The County has elected to self-fund the health and prescription drug employee benefits. Under the self-funded arrangement, the County's third party administrators pay all claims for medical and prescription costs. The County reimburses the administrators for these charges and pays an administrative fee based on membership and/or utilization. The County is responsible for the first \$150,000 of medical claims for any member each year. A stop loss insurance policy has been purchased to provide for payment above the yearly individual limit. The policy includes \$1,000,000 of coverage if aggregate claims exceed the attachment point of \$13,182,283. During 2015, the County's attachment point for individual claims was \$150,000 and the attachment point for aggregate claims was \$10,224,434. The prescription drug coverage provided to employees is not covered by stop loss insurance.

The County has elected to largely self-insure its workers' compensation claims. To mitigate excess exposure, the County purchased a commercial large-deductible insurance policy which began on January 1, 2004. The County is responsible for the first \$200,000 of any individual claim. The limits of policy coverage are defined by a Pennsylvania Statute and it includes limits of \$1,000,000 for employer's liability for any individual claim, employee, and in aggregate for the annual policy period.

Changes in the estimate of the self-insured workers' compensation and employee health benefits claims liability of the primary government are as follows:

Liability balance - January 1, 2015	\$ 890,054
Incurred claims and estimates	12,273,620
Less: Claims paid during period	<u>12,345,270</u>
Liability balance - December 31, 2015	818,404
Incurred claims and estimates	10,188,498
Less: Claims paid during period	<u>10,329,682</u>
Liability balance - December 31, 2016	<u><u>\$ 677,220</u></u>

All functions of the County estimate liabilities for unpaid claims based on a claims' payment history.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND JUNE 30, 2016

NOTE L - RISK MANAGEMENT – (Continued)

Risk Accounting

The County has created two internal service funds within which transactions related to the self-funded programs of workers' compensation and the health insurance programs are recorded. Revenues expected to cover expenditures for each program are generated by an internal charge, based on either payroll by class or by membership, applied to all operating funds.

Management is currently in the process of evaluating both the employees' health care charge and the workers' compensation charge to more adequately address costs of the funds' net position.

Component Unit – BCTA

BCTA is a member of the SAFTI Property and Liability Insurance Pool, which is an insurance pool that provides BCTA and other Pennsylvania Transit Properties insurance coverage for the following types of liabilities: automobile, employee benefit, public official, general, crime, property, boiler and machinery, and workers compensation. BCTA pays an annual premium each year that includes fixed costs and a loss funding. During the 2015-2016 fiscal year, BCTA paid premiums, excluding workers compensation, of \$94,920 for fixed costs and \$154,712 for loss funding. Premiums paid for workers compensation were \$56,515 for fixed costs and \$226,060 for loss funding, less a dividend of \$55,563. This fund is self-insured but holds policies which provide excess coverage once a claim reaches a certain dollar level, which varies depending on the coverage. Insurance rates are based on individual performance, but all members of the pool share in or participate in the losses.

Component Unit – CCBC

CCBC is exposed to various risks of loss related to tort, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims for these risks have not exceeded commercial insurance coverage for the past three years.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND JUNE 30, 2016

NOTE M – COMMITMENTS

The following are amounts encumbered in the governmental funds:

	General Fund	Mental Health / Intellectual Disabilities	Children & Youth	Community Development	HealthChoices	Other Governmental Funds	Total
Restricted	\$ -	\$ 6,918	\$ 19,084	\$ 1,542	\$ 432	\$ 133,246	\$ 161,222
Assigned	12,409	-	-	-	-	-	12,409
Total	\$ 12,409	\$ 6,918	\$ 19,084	\$ 1,542	\$ 432	\$ 133,246	\$ 173,631

Encumbered amounts are for obligations related to unperformed (executory) contracts for goods and services.

At December 31, 2016, the County had one open letter of credit with a value totaling \$180,000, to cover excess costs of workers’ compensation claims if needed. At December 31, 2016, the letter had not been drawn.

The County, as the local sponsor of the Community College of Beaver County, is obligated to provide funding for one half of the College’s annual capital expenditures, including debt service payments for capital bonds. In 2007 and 2012, the College issued \$27,780,000 and \$2,890,000, respectively, in capital bonds that the County is including as part of its annual contribution to CCBC to subsidize the related debt service obligation.

The County and the United States Department of Housing and Urban Development (“HUD”) reached agreement to an ongoing audit finding dispute in 2017. The settlement involves payment by the County of a \$25,000 administrative fee and reduction of HUD entitlement funding of \$405,235, evenly distributed across three years, ending on HUD’s 2018 program year.

The County is responsible for managing numerous programs and grants imposed by legislation as well as through mutual agreement with grantor bodies. Noncompliance with any particular item may be cause for penalties imposed on the County or refunds due to the grantor. Additionally, a change in legislation may impose a higher financial burden on the County for mandated programs. The County is not aware of any noncompliance with the provisions of grants or other agreements that may be cause for a penalty or refund of grant monies. Also, the County has not studied the potential outcomes of any pending or enacted legislation in order to determine the possible financial impact on the various programs it carries out for the community it serves.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND JUNE 30, 2016

NOTE M – COMMITMENTS – (Continued)

Component Unit – BCTA

During the 2015-2016 fiscal year, BCTA entered into a contract for vehicles in the amount of \$1,430,808. The remaining outstanding contract dollar commitments on these design and engineering agreements total \$1,430,808, at June 30, 2016.

Component Unit – CCBC

On June 30, 2009 (as amended), CCBC entered into a deferred compensation agreement with CCBC's president. The terms of the deferred compensation agreement stipulated that the president would receive on June 30, 2011, \$12,000 and \$17,000 respectively, and \$25,000 on June 30, 2012, for services rendered during the years ended June 30, 2009, and June 30, 2011. The agreement was subsequently amended to provide the President deferred compensation on June 30, 2014 for services rendered to the College for fiscal years ended June 30, 2012 through June 30, 2014 totaling \$100,000. As of June 30, 2015, \$24,463 per this agreement is still due and has been accrued. In addition, \$4,000 has been accrued as a longevity bonus for the President.

NOTE N – SALE OF LONG-TERM HEALTH CARE FACILITY

Sale of Long-Term Health Care Facility and Subsequent Activity

In 2014, the County entered into an agreement to sell its long-term healthcare facility ("facility"). The sales agreement provided for a sales price to be determined after selected obligations were both determined and satisfied. In addition, the agreements provided for the purchaser to have any collections of the facility's accounts receivable subsequent to February 28, 2014, forwarded to the purchaser. In June 2016, the County engaged an expert to calculate the amount it believes the County is owed from the sale of the facility. After the transfer of operations and ownership took place the County collected certain facility accounts receivable and transferred most of it to the facility's owner. The County also paid during the period the facility's accounts payable, as of February 28, 2014, including those on behalf of employees, as they came due. The report issued by the consultant hired by the County indicates that the County is due approximately \$1.2 million from the purchaser. The purchaser disputes these findings, issued by this consultant hired by the County, and believes that the County owes them for collections received by the County and expenses paid by the purchaser.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND JUNE 30, 2016

NOTE O – TAX ABATEMENTS

As of December 31, 2016 the County provides tax abatements under the Local Economic Revitalization Tax Assistance (LERTA) program.

LERTA provides property tax abatements to new construction within specified areas of deterioration for industrial, commercial, or other business properties, under state code 72 P.S. 4722. Abatements are obtained through application by the property owner, including permits for building/alterations. Once the construction is complete, the County’s Chief Assessor shall separately assess the improvement and calculate the amounts of the assessment eligible for exemption in accordance with the limits established by the County. The amount of the abatement is deducted from the property owner’s tax bill.

Information relevant to the disclosure of those programs for the year ended December 31, 2016, is as follows:

<u>Tax Abatement Program</u>	<u>Amount of Taxes Abated</u>
LERTA	\$ 102,423

Under the Beaver County Corporation for Economic Development (CED) tax abatement agreement, County property tax revenues were reduced by \$78,896.

NOTE P – SUBSEQUENT EVENTS

On January 3, 2017, the County and Huntington National Bank entered into the 2017 TRAN in the amount of \$13 million, which was wired into a County bank account.

REQUIRED SUPPLEMENTAL INFORMATION

COUNTY OF BEAVER, PENNSYLVANIA

SCHEDULE OF CHANGES IN THE COUNTY'S NET PENSION LIABILITY (ASSET) AND RELATED RATIOS

YEAR ENDED DECEMBER 31,

	2016	2015*	2014*
Total Pension Liability			
Service Cost	\$ 5,164,460	\$ 5,251,894	\$ 6,563,530
Interest	20,919,790	20,688,336	20,493,247
Changes in benefit terms	-	-	-
Differences between expected and actual experience	(2,233,093)	(3,094,083)	1,812,102
Changes in assumption	-	-	-
Benefit payments, including refunds of member contribution	(20,842,290)	(16,685,010)	(24,703,033)
Net change in total pension liability	3,008,867	6,161,137	4,165,846
Total pension liability - beginning of year	286,536,084	280,374,947	276,209,101
Total pension liability - end of year (a)	\$ 289,544,951	\$ 286,536,084	\$ 280,374,947
Plan Fiduciary Net Position			
Contributions - employer	\$ 1,265,160	\$ 1,162,800	\$ 2,286,670
Contributions - member	3,278,822	3,345,109	3,867,005
Net investment income	22,894,917	1,393,557	18,663,378
Benefit payments, including refunds of member contribution	(20,842,290)	(16,685,010)	(24,703,033)
Administrative expense	(227,808)	(218,777)	(189,839)
Other expense	(2,500)	7,268	-
Net change in plan fiduciary net position	6,366,301	(10,995,053)	(75,819)
Total plan fiduciary net position - beginning of year	283,860,317	294,855,370	294,931,189
Total plan fiduciary net position - end of year (b)	\$ 290,226,618	\$ 283,860,317	\$ 294,855,370
County's net pension liability (asset) - ending (a) - (b)	\$ (681,667)	\$ 2,675,767	\$ (14,480,423)
Plan fiduciary net position as a percentage of the total pension liability	100.24%	99.07%	105.16%
Covered-employee payroll	\$ 38,321,452	\$ 38,562,973	\$ 56,895,011
County's net pension liability (asset) as a percentage of covered-employee payroll	(1.78%)	6.94%	(25.45%)

*2015 and 2014 amounts have been restated as described in Note G to the financial statements.

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

See notes to Required Supplemental Schedules

COUNTY OF BEAVER, PENNSYLVANIA

SCHEDULE OF COUNTY CONTRIBUTIONS AND PENSION PLAN INVESTMENT RETURNS

YEARS ENDED DECEMBER 31,

Schedule of County's Contributions	2016	2015	2014
Actuarially determined contribution	\$ 1,265,160	\$ 1,162,800	\$ 2,286,670
Contributions in relation to the actuarially determined contribution	1,265,160	1,162,800	2,286,670
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 38,321,452	\$ 38,562,973	\$ 56,895,011
Contributions as a percentage of covered-employee payroll	3.30%	3.02%	4.02%
Investment Returns			
Annual money-weighted rate of return, net of investment expense	8.97%	0.63%	7.07%

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

See notes to Required Supplemental Schedules

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2016

PENSION INFORMATION

Actuarial Methods and Assumptions Used in Calculation of Actuarially Determined Contribution

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

Actuarial Valuation Dates:	January 1 of the valuation year
Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	Method prescribed by Pennsylvania State Law, Act 44
Amortization Method:	Level Dollar
Remaining Amortization Period:	15 years
Actuarial Assumptions:	
Inflation Adjustment:	3.00%
Investment Rate of Return:	7.50%, net of pension plan investment expense, including inflation
Projected Salary Increase:	3.50% average, including inflation
Retirement Age:	Age 60 or 55 with 20 years' service
Mortality:	2013 RP Annuitant and Non-Annuitant Tables for Males and Females with no improvement

COUNTY OF BEAVER, PENNSYLVANIA

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND**

FOR THE YEAR ENDED DECEMBER 31, 2016

	Budget		Actual	Variance
	Original	Final		Over (Under)
<u>Revenues</u>				
Real Estate Taxes	\$ 48,842,060	\$ 48,842,060	\$ 48,172,039	\$ (670,021)
Licenses and Permits	135,000	135,000	146,785	11,785
Interest and Rents	40,000	202,509	151,079	(51,430)
Intergovernmental Revenues	4,186,043	4,416,849	4,168,072	(248,777)
Departmental Earnings	8,144,390	10,023,017	10,796,821	773,804
Miscellaneous	4,373,357	473,608	129,836	(343,772)
Total Revenues	65,720,850	64,093,043	63,564,632	(528,411)
<u>Expenditures</u>				
Current				
General Government	7,459,316	10,483,776	10,229,240	(254,536)
Judicial	13,186,749	13,647,977	13,443,342	(204,635)
Public Safety	19,567,137	16,175,876	16,125,456	(50,420)
Public Works and Enterprises	3,074,738	3,269,293	3,268,576	(717)
Culture, Recreation and Conservation	2,615,057	2,561,179	2,561,103	(76)
Intergovernmental				
Human Services	6,667,231	7,037,129	7,037,127	(2)
Debt Service				
Principal	3,889,950	1,506,873	1,506,871	(2)
Interest	5,395,300	2,736,766	2,476,450	(260,316)
Bond Issuance Costs	-	1,152,441	1,152,441	-
Other	11,000	-	-	-
Capital Outlay				
Asset Acquisition & Improvements	245,600	830,351	830,350	(1)
Total Expenditures	62,112,078	59,401,661	58,630,956	(770,705)
Excess (Deficiency) of Revenues Over Expenditures				
	3,608,772	4,691,382	4,933,676	242,294
Other Financing Sources (Uses)				
Proceeds of Refunding Bonds	-	114,640,000	114,640,000	-
Payments to Refunded Bond Escrow Agents	-	(114,298,594)	(114,298,594)	-
Original Issue Premium	-	973,545	973,545	-
Transfers From Other Funds	3,050,000	1,575,000	1,288,202	(286,798)
Transfers To Other Funds	(3,276,172)	(3,534,538)	(3,534,536)	2
Total Other Financing Sources (Uses)	(226,172)	(644,587)	(931,383)	(286,796)
Net Change in Fund Balance	3,382,600	4,046,795	4,002,293	(44,502)
Fund Balance (Deficits) - Beginning	(3,382,600)	(3,382,600)	3,143,015	6,525,615
Fund Balance (Deficits) - Ending	\$ -	\$ 664,195	\$ 7,145,308	\$ 6,481,113

COUNTY OF BEAVER, PENNSYLVANIA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL MENTAL HEALTH / INTELLECTUAL DISABILITIES

FOR THE YEAR ENDED DECEMBER 31, 2016

	Budget		Actual	Variance
	Original	Final		Over (Under)
<u>Revenues</u>				
Intergovernmental	\$ 17,288,200	\$ 17,434,882	\$ 17,015,417	\$ (419,465)
Departmental Earnings	1,310,000	1,310,000	1,109,901	(200,099)
Interest	4,200	4,200	6,381	2,181
Miscellaneous	319,000	319,000	-	(319,000)
Total Revenues	18,921,400	19,068,082	18,131,699	(936,383)
<u>Expenditures</u>				
Salaries & Benefits	5,949,290	5,949,626	5,513,403	(436,223)
Personnel Expense	37,100	39,100	20,607	(18,493)
Consultant/Contracted Services	1,592,500	1,633,432	1,424,488	(208,944)
Sub Contracted Services	11,862,100	11,798,928	10,480,634	(1,318,294)
Occupancy	247,300	247,800	222,514	(25,286)
Communication	109,000	118,150	86,954	(31,196)
Supplies & Minor Equipment	221,000	246,397	120,628	(125,769)
Transportation	131,500	131,500	96,043	(35,457)
Other Expenditures	553,000	355,000	275,904	(79,096)
Capital Outlay	15,000	164,103	141,512	(22,591)
Total Expenditures	20,717,790	20,684,036	18,382,687	(2,301,349)
Excess (Deficiency) of Revenues Over Expenditures	(1,796,390)	(1,615,954)	(250,988)	1,364,966
<u>Other Financing Sources (Uses)</u>				
Transfers from Other Funds	728,000	759,532	759,532	-
Total Other Financing Sources (Uses)	728,000	759,532	759,532	-
Net Change in Fund Balance	(1,068,390)	(856,422)	508,544	1,364,966
Fund Balance - Beginning	1,090,590	927,182	703,952	(223,230)
Fund Balance - Ending	\$ 22,200	\$ 70,760	\$ 1,212,496	\$ 1,141,736

COUNTY OF BEAVER, PENNSYLVANIA

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
CHILDREN AND YOUTH**

FOR THE YEAR ENDED DECEMBER 31, 2016

	Budget		Actual	Variance
	Original	Final		Over (Under)
<u>Revenues</u>				
Intergovernmental	\$ 12,959,354	\$ 12,959,354	\$ 12,330,073	\$ (629,281)
Departmental Earnings	139,294	139,294	46,843	(92,451)
Interest	100	100	127	27
Total Revenues	<u>13,098,748</u>	<u>13,098,748</u>	<u>12,377,043</u>	<u>(721,705)</u>
<u>Expenditures</u>				
Salaries & Benefits	5,233,565	5,475,140	5,343,936	(131,204)
Personnel Expense	30,100	31,600	26,631	(4,969)
Consultant/Contracted Services	948,100	1,074,730	999,535	(75,195)
Sub Contracted Services	6,093,000	6,012,302	5,724,376	(287,926)
Occupancy	475,020	495,119	417,544	(77,575)
Communication	190,000	277,504	256,346	(21,158)
Supplies & Minor Equipment	409,820	414,046	287,763	(126,283)
Transportation	165,000	197,000	186,427	(10,573)
Other Expenditures	1,566,950	1,376,050	1,165,542	(210,508)
Capital Outlay	27,500	46,755	19,255	(27,500)
Total Expenditures	<u>15,139,055</u>	<u>15,400,245</u>	<u>14,427,355</u>	<u>(972,890)</u>
Excess (Deficiency) of Revenues Over Expenditures	(2,040,307)	(2,301,497)	(2,050,312)	251,185
<u>Other Financing Sources (Uses)</u>				
Transfers From Other Funds	1,500,000	1,799,828	1,799,827	(1)
Total Other Financing Sources (Uses)	<u>1,500,000</u>	<u>1,799,828</u>	<u>1,799,827</u>	<u>(1)</u>
Net Change in Fund Balance	(540,307)	(501,669)	(250,485)	251,184
Fund Balance - Beginning	<u>3,055,460</u>	<u>3,055,460</u>	<u>2,247,497</u>	<u>(807,963)</u>
Fund Balance - Ending	<u>\$ 2,515,153</u>	<u>\$ 2,553,791</u>	<u>\$ 1,997,012</u>	<u>\$ (556,779)</u>

COUNTY OF BEAVER, PENNSYLVANIA

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT**

FOR THE YEAR ENDED DECEMBER 31, 2016

	Budget		Actual	Variance
	Original	Final		Over (Under)
<u>Revenues</u>				
Intergovernmental	\$ 6,522,184	\$ 6,729,891	\$ 4,636,169	\$ (2,093,722)
Departmental Earnings	971,970	971,970	294,401	(677,569)
Interest	160	160	114	(46)
Total Revenues	<u>7,494,314</u>	<u>7,702,021</u>	<u>4,930,684</u>	<u>(2,771,337)</u>
<u>Expenditures</u>				
Salaries & Benefits	721,730	752,516	670,455	(82,061)
Personnel Expense	18,518	16,508	5,761	(10,747)
Consultant/Contracted Services	6,606,059	6,784,266	3,953,930	(2,830,336)
Sub Contracted Services	30,242	22,742	-	(22,742)
Occupancy	108,675	109,633	68,924	(40,709)
Communication	34,650	39,685	16,714	(22,971)
Supplies & Minor Equipment	62,972	66,072	25,239	(40,833)
Transportation	15,500	15,329	7,117	(8,212)
Other Expenditures	101,520	100,822	80,299	(20,523)
Total Expenditures	<u>7,699,866</u>	<u>7,907,573</u>	<u>4,828,439</u>	<u>(3,079,134)</u>
Excess (Deficiency) of Revenues Over Expenditures	(205,552)	(205,552)	102,245	307,797
Fund Balance - Beginning	<u>387,404</u>	<u>387,404</u>	<u>121,699</u>	<u>(265,705)</u>
Fund Balance (Deficit) - Ending	<u>\$ 181,852</u>	<u>\$ 181,852</u>	<u>\$ 223,944</u>	<u>\$ 42,092</u>

COUNTY OF BEAVER, PENNSYLVANIA

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

FOR THE YEAR ENDED DECEMBER 31, 2016

	Budget		Actual	Variance
	Original	Final		Over (Under)
<u>Revenues</u>				
Intergovernmental	\$ 33,025,000	\$ 44,025,000	\$ 44,885,963	\$ 860,963
Interest	27,050	27,050	36,556	9,506
Miscellaneous	6,000	6,000	-	(6,000)
Total Revenues	33,058,050	44,058,050	44,922,519	864,469
<u>Expenditures</u>				
Salaries & Benefits	400,761	744,082	711,629	(32,453)
Personnel Expense	1,600	2,130	126	(2,004)
Consultant/Contracted Services	32,008,150	42,435,023	42,291,468	(143,555)
Occupancy	46,050	55,281	50,181	(5,100)
Communication	9,000	9,979	9,322	(657)
Supplies & Minor Equipment	11,800	31,136	25,031	(6,105)
Transportation	4,600	4,600	3,133	(1,467)
Other Expenditures	33,700	44,182	36,965	(7,217)
Capital Outlay	-	21,653	16,807	(4,846)
Total Expenditures	32,515,661	43,348,066	43,144,662	(203,404)
Excess (Deficiency) of Revenues Over Expenditures	542,389	709,984	1,777,857	1,067,873
Fund Balance - Beginning	14,266,600	14,366,600	11,705,681	(2,660,919)
Fund Balance - Ending	\$ 14,808,989	\$ 15,076,584	\$ 13,483,538	\$ (1,593,046)

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2016

NOTE A – BASIS OF BUDGETING

Appropriated budgets are adopted on a modified accrual basis consistent with generally accepted accounting principles by fund, department and line-item. Line-items are specific revenues and expenditures, such as taxes, fees, salaries, and supplies. Transfers of appropriations may be requested between line-items within a department or between departments within the same fund. All transfers of appropriations require the approval of the Commissioners. The legal level of control is exercised by management at each line-item.

NOTE B – BUDGET VARIANCE

The County does not adjust for line items designated for receipts of reimbursements after initial adoption. Therefore, some expenditures may appear to exceed budgeted amounts when actual reimbursements received are below the initial budgeted figures. Also, reclassifications of actual balances made strictly for external financial reporting purposes are often not reflected in the budget. As a consequence, some line items may appear to exceed budgeted amounts.

OTHER SUPPLEMENTAL INFORMATION

COUNTY OF BEAVER, PENNSYLVANIA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

DECEMBER 31, 2016

	Special Revenue								
	Automation and Records Improvement	Regional Booking Center	Domestic Relations	Offender's Supervisory	Victim Witness	Hazardous Materials/ Act 147 Grants	Liquid Fuels	Office on Aging	Tourist Promotion
Assets									
Cash and Cash Equivalents	\$ 562,217	\$ 18,180	\$ 35,819	\$ 159,804	\$ 8,247	\$ 130,205	\$ 2,493,442	\$ 1,434,146	\$ 76,314
Interfund Receivable	-	-	-	-	-	-	13,920	-	-
Prepaid Other	-	-	-	-	-	4,998	-	-	-
Accounts Receivable	-	5,195	477,248	18,739	55,945	13,576	187,208	12,436	27,223
Total Assets	<u>\$ 562,217</u>	<u>\$ 23,375</u>	<u>\$ 513,067</u>	<u>\$ 178,543</u>	<u>\$ 64,192</u>	<u>\$ 148,779</u>	<u>\$ 2,694,570</u>	<u>\$ 1,446,582</u>	<u>\$ 103,537</u>
Liabilities									
Accounts Payable	\$ 5,685	\$ 323	\$ 2,482	\$ -	\$ 10	\$ 8,867	\$ 125,242	\$ 219,175	\$ 6,391
Interfund Payable	-	105,401	269,715	-	30,964	5,000	-	74,513	275
Accrued Payroll	-	3,283	67,171	-	5,187	-	1,849	60,618	2,869
Accrued Other Liabilities	-	-	-	-	-	-	-	141,877	-
Unearned Revenue	-	-	-	-	-	53,567	-	-	-
Total Liabilities	<u>5,685</u>	<u>109,007</u>	<u>339,368</u>	<u>-</u>	<u>36,161</u>	<u>67,434</u>	<u>127,091</u>	<u>496,183</u>	<u>9,535</u>
Deferred Inflows of Resources									
Unavailable Revenue	-	-	-	-	-	13,560	22,708	2,388	-
Fund Balance (Deficit)									
Non-spendable: Prepaids	-	-	-	-	-	4,998	-	-	-
Restricted:									
Other	556,532	-	173,699	178,543	28,031	62,787	2,544,771	948,011	94,002
Committed:									
Capital Projects	-	-	-	-	-	-	-	-	-
Unassigned:	-	(85,632)	-	-	-	-	-	-	-
Total Fund Balances (Deficits)	<u>556,532</u>	<u>(85,632)</u>	<u>173,699</u>	<u>178,543</u>	<u>28,031</u>	<u>67,785</u>	<u>2,544,771</u>	<u>948,011</u>	<u>94,002</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	<u>\$ 562,217</u>	<u>\$ 23,375</u>	<u>\$ 513,067</u>	<u>\$ 178,543</u>	<u>\$ 64,192</u>	<u>\$ 148,779</u>	<u>\$ 2,694,570</u>	<u>\$ 1,446,582</u>	<u>\$ 103,537</u>

COUNTY OF BEAVER, PENNSYLVANIA

**COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS**

DECEMBER 31, 2016

	Special Revenue			Capital Projects			Nonmajor Governmental Funds Total
	Anti-Drug Task Force / Educational	Emergency Services 911	Total	Courtroom Improvement	Capital Reserve	Total	
Assets							
Cash and Cash Equivalents	\$ 290,464	\$ 909,295	\$ 6,118,133	\$ 414,753	\$ 265,684	\$ 680,437	\$ 6,798,570
Interfund Receivable	-	-	13,920	71,323	311,798	383,121	397,041
Prepaid Other	-	21,153	26,151	-	-	-	26,151
Accounts Receivable	21	1,302,498	2,100,089	-	-	-	2,100,089
Total Assets	<u>\$ 290,485</u>	<u>\$ 2,232,946</u>	<u>\$ 8,258,293</u>	<u>\$ 486,076</u>	<u>\$ 577,482</u>	<u>\$ 1,063,558</u>	<u>\$ 9,321,851</u>
Liabilities							
Accounts Payable	\$ 4,670	\$ 106,221	\$ 479,066	\$ 12,460	\$ -	\$ 12,460	\$ 491,526
Interfund Payable	14,406	599,141	1,099,415	-	-	-	1,099,415
Accrued Payroll	3,046	-	144,023	-	-	-	144,023
Accrued Other Liabilities	-	-	141,877	-	-	-	141,877
Unearned Revenue	-	1,114,394	1,167,961	-	-	-	1,167,961
Total Liabilities	<u>22,122</u>	<u>1,819,756</u>	<u>3,032,342</u>	<u>12,460</u>	<u>-</u>	<u>12,460</u>	<u>3,044,802</u>
Deferred Inflows of Resources							
Unavailable Revenue	-	452,637	491,293	-	-	-	491,293
Fund Balance (Deficit)							
Non-spendable: Prepaids	-	21,153	26,151	-	-	-	26,151
Restricted:							
Other	268,363	-	4,854,739	-	-	-	4,854,739
Committed:							
Capital Projects	-	-	-	473,616	577,482	1,051,098	1,051,098
Unassigned:	-	(60,600)	(146,232)	-	-	-	(146,232)
Total Fund Balances (Deficits)	<u>268,363</u>	<u>(39,447)</u>	<u>4,734,658</u>	<u>473,616</u>	<u>577,482</u>	<u>1,051,098</u>	<u>5,785,756</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	<u>\$ 290,485</u>	<u>\$ 2,232,946</u>	<u>\$ 8,258,293</u>	<u>\$ 486,076</u>	<u>\$ 577,482</u>	<u>\$ 1,063,558</u>	<u>\$ 9,321,851</u>

COUNTY OF BEAVER, PENNSYLVANIA

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

YEAR ENDED DECEMBER 31, 2016

	Special Revenue								
	Automation and Records Improvement	Regional Booking Center	Domestic Relations	Offender's Supervisory	Victim Witness	Hazardous Materials/ Act 147 Grants	Liquid Fuels	Office on Aging	Tourist Promotion
Revenues									
Investment Income	\$ 24	\$ -	\$ 11	\$ 48	\$ 1	\$ 15	\$ 110	\$ 186	\$ 2
Intergovernmental	-	-	1,740,644	299,460	194,172	159,062	3,273,361	4,772,222	-
Departmental Earnings	150,556	83,818	35,991	305,482	-	-	20,101	26,436	14,775
Local Hotel Room Tax	-	-	-	-	-	-	-	-	319,265
Miscellaneous	-	-	-	-	-	3,917	-	-	-
Total Revenues	150,580	83,818	1,776,646	604,990	194,173	162,994	3,293,572	4,798,844	334,042
Expenditures									
Current									
General Government	42,348	-	-	-	-	-	-	-	-
Judicial	-	71,039	2,753,016	-	196,368	-	-	-	-
Public Safety	-	-	-	-	-	151,375	-	-	-
Public Works and Enterprises	-	-	-	-	-	-	646,952	-	-
Culture Recreation & Conservation	-	-	-	-	-	-	-	-	268,358
Intergovernmental									
Operating / Human Services	-	-	-	-	-	-	-	4,925,824	-
Capital Outlay									
Infrastructure	-	-	-	-	-	-	2,052,984	-	-
Asset Acquisition	39,819	5,087	-	-	-	29,778	75,485	9,244	-
Total Expenditures	82,167	76,126	2,753,016	-	196,368	181,153	2,775,421	4,935,068	268,358
Excess (Deficiency) of Revenues Over (Under) Expenditures	68,413	7,692	(976,370)	604,990	(2,195)	(18,159)	518,151	(136,224)	65,684
Other Financing Sources (Uses)									
Transfers From Other Funds	-	-	852,904	-	54,150	-	-	-	-
Transfers to Other Funds	-	-	-	(700,000)	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	852,904	(700,000)	54,150	-	-	-	-
Net Change in Fund Balance	68,413	7,692	(123,466)	(95,010)	51,955	(18,159)	518,151	(136,224)	65,684
Fund Balances (Deficits) - Beginning	488,119	(93,324)	297,165	273,553	(23,924)	85,944	2,026,620	1,084,235	28,318
Fund Balances (Deficits) - Ending	\$ 556,532	\$ (85,632)	\$ 173,699	\$ 178,543	\$ 28,031	\$ 67,785	\$ 2,544,771	\$ 948,011	\$ 94,002

COUNTY OF BEAVER, PENNSYLVANIA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS**

YEAR ENDED DECEMBER 31, 2016

	Special Revenue			Capital Projects			Nonmajor Governmental Funds Total
	Anti-Drug Task Force / Educational	Emergency Services 911	Total	Courtroom Improvement	Capital Reserve	Capital Bonds	
Revenues							
Investment Income	\$ 71	\$ 150	\$ 618	\$ 54	\$ 1,254	\$ -	\$ 1,308
Intergovernmental	88,800	247,372	10,775,093	-	-	-	10,775,093
Departmental Earnings	148,890	3,391,361	4,177,410	-	319,260	-	319,260
Local Hotel Room Tax	-	-	319,265	-	-	-	319,265
Miscellaneous	-	-	3,917	-	-	-	3,917
Total Revenues	237,761	3,638,883	15,276,303	54	320,514	-	15,596,871
Expenditures							
Current							
General Government	-	-	42,348	108,787	95	-	151,230
Judicial	386,551	-	3,406,974	-	-	-	3,406,974
Public Safety	-	3,187,658	3,339,033	-	-	-	3,339,033
Public Works and Enterprises	-	-	646,952	-	-	-	646,952
Culture Recreation & Conservation	-	-	268,358	-	-	-	268,358
Intergovernmental							
Operating / Human Services	-	-	4,925,824	-	-	-	4,925,824
Capital Outlay							
Infrastructure	-	-	2,052,984	-	-	-	2,052,984
Asset Acquisition	-	475,974	635,387	176,577	-	101,770	913,734
Total Expenditures	386,551	3,663,632	15,317,860	285,364	95	101,770	15,705,089
Excess (Deficiency) of Revenues Over (Under) Expenditures	(148,790)	(24,749)	(41,557)	(285,310)	320,419	(101,770)	(108,218)
Other Financing Sources (Uses)							
Transfers From Other Funds	-	-	907,054	71,323	-	-	978,377
Transfers to Other Funds	-	-	(700,000)	(3,200)	(588,202)	-	(1,291,402)
Total Other Financing Sources (Uses)	-	-	207,054	68,123	(588,202)	-	(313,025)
Net Change in Fund Balance	(148,790)	(24,749)	165,497	(217,187)	(267,783)	(101,770)	(421,243)
Fund Balances (Deficits) - Beginning	417,153	(14,698)	4,569,161	690,803	845,265	101,770	6,206,999
Fund Balances (Deficits) - Ending	\$ 268,363	\$ (39,447)	\$ 4,734,658	\$ 473,616	\$ 577,482	\$ -	\$ 5,785,756

COUNTY OF BEAVER, PENNSYLVANIA

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS**

FOR THE YEAR ENDED DECEMBER 31, 2016

	Balance January 1, 2016	Additions	Deductions	Balance December 31, 2016
Clerk of Courts				
<u>Assets</u>				
Cash and Cash Equivalents	\$ 285,894	2,718,845	2,820,588	\$ 184,151
	<u>285,894</u>	<u>2,718,845</u>	<u>2,820,588</u>	<u>184,151</u>
<u>Liabilities</u>				
Accounts Payable	285,894	2,718,845	2,820,588	184,151
	<u>\$ 285,894</u>	<u>2,718,845</u>	<u>2,820,588</u>	<u>\$ 184,151</u>
Domestic Relations - Support Payments				
<u>Assets</u>				
Cash and Cash Equivalents	\$ 34,253	829,109	788,096	\$ 75,266
	<u>34,253</u>	<u>829,109</u>	<u>788,096</u>	<u>75,266</u>
<u>Liabilities</u>				
Accounts Payable	34,253	829,109	788,096	75,266
	<u>\$ 34,253</u>	<u>829,109</u>	<u>788,096</u>	<u>\$ 75,266</u>
Recorder of Deeds				
<u>Assets</u>				
Cash and Cash Equivalents	\$ 481,825	14,338,958	14,433,954	\$ 386,829
	<u>481,825</u>	<u>14,338,958</u>	<u>14,433,954</u>	<u>386,829</u>
<u>Liabilities</u>				
Accounts Payable	481,825	14,338,958	14,433,954	386,829
	<u>\$ 481,825</u>	<u>14,338,958</u>	<u>14,433,954</u>	<u>\$ 386,829</u>
Register of Wills				
<u>Assets</u>				
Cash and Cash Equivalents	\$ 78,790	10,188,294	10,228,552	\$ 38,532
	<u>78,790</u>	<u>10,188,294</u>	<u>10,228,552</u>	<u>38,532</u>
<u>Liabilities</u>				
Accounts Payable	78,790	10,188,294	10,228,552	38,532
	<u>\$ 78,790</u>	<u>10,188,294</u>	<u>10,228,552</u>	<u>\$ 38,532</u>
Sheriff				
<u>Assets</u>				
Cash and Cash Equivalents	\$ 344,648	1,480,916	1,271,951	\$ 553,613
	<u>344,648</u>	<u>1,480,916</u>	<u>1,271,951</u>	<u>553,613</u>
<u>Liabilities</u>				
Accounts Payable	344,648	1,480,916	1,271,951	553,613
	<u>\$ 344,648</u>	<u>1,480,916</u>	<u>1,271,951</u>	<u>\$ 553,613</u>

COUNTY OF BEAVER, PENNSYLVANIA

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS**

FOR THE YEAR ENDED DECEMBER 31, 2016

	Balance January 1, 2016	Additions	Deductions	Balance December 31, 2016
Prothonotary				
<u>Assets</u>				
Cash and Cash Equivalents	\$ 779,926	952,126	920,242	\$ 811,810
	<u>779,926</u>	<u>952,126</u>	<u>920,242</u>	<u>811,810</u>
<u>Liabilities</u>				
Accounts Payable	779,926	952,126	920,242	811,810
	<u>\$ 779,926</u>	<u>952,126</u>	<u>920,242</u>	<u>\$ 811,810</u>
Tax Claim				
<u>Assets</u>				
Cash and Cash Equivalents	\$ 1,030,854	12,595,117	13,017,414	\$ 608,557
Due from Other Funds	-	408,216	-	408,216
	<u>1,030,854</u>	<u>13,003,333</u>	<u>13,017,414</u>	<u>1,016,773</u>
<u>Liabilities</u>				
Accounts Payable	1,030,854	13,003,333	13,017,414	1,016,773
	<u>\$ 1,030,854</u>	<u>13,003,333</u>	<u>13,017,414</u>	<u>\$ 1,016,773</u>
Treasurer				
<u>Assets</u>				
Cash and Cash Equivalents	\$ 41,230	272,917	284,171	\$ 29,976
	<u>41,230</u>	<u>272,917</u>	<u>284,171</u>	<u>29,976</u>
<u>Liabilities</u>				
Accounts Payable	41,230	272,917	284,171	29,976
	<u>\$ 41,230</u>	<u>272,917</u>	<u>284,171</u>	<u>\$ 29,976</u>
Total - Agency Funds				
<u>Assets</u>				
Cash and Cash Equivalents	\$ 3,077,420	43,376,282	43,764,968	\$ 2,688,734
Due from Other Funds	-	408,216	-	408,216
	<u>3,077,420</u>	<u>43,784,498</u>	<u>43,764,968</u>	<u>3,096,950</u>
<u>Liabilities</u>				
Accounts Payable	3,077,420	43,784,498	43,764,968	3,096,950
	<u>\$ 3,077,420</u>	<u>43,784,498</u>	<u>43,764,968</u>	<u>\$ 3,096,950</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Beaver County, Pennsylvania

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended December 31, 2016

Federal Granting Agency/Program/Subrecipient	Contract Period	Federal CFDA Number	Pass-Through Grant Number	Pass-Through Federal Expenditures	Federal Expenditures	Federal Grant Receipts	Accounts Receivable (Deferred Revenue)	
							January 1, 2016	December 31, 2016
U.S. DEPARTMENT OF AGRICULTURE								
<u>Passed through Pennsylvania Department of Agriculture:</u>								
Emergency Food Assistance Program (Administrative Costs)	1/1/15-12/31/15	10.568	4100037317		5,282	11,996	6,714	-
	1/1/16-12/31/16	10.568	4100037317		13,290	2,988	-	10,302
Toal Amount Passed Through to Subrecipients				18,572				
Emergency Food Assistance Program (Food Commodities)	7/1/16-6/30/16	10.569	8-04-04-072		63,793	63,793	-	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE				<u>18,572</u>	<u>82,365</u>	<u>78,777</u>	<u>6,714</u>	<u>10,302</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT								
Community Development Block Grants/Entitlement Grants	9/1/14-8/31/15	14.218	B-14-UC-42-0102		1,196,847	1,112,903	274,134	358,078
	9/1/15-8/31/16	14.218	B-15-UC-42-0102		1,314,058	1,382,521	127,081	58,618
	9/1/16-8/31/17	14.218	B-16-UC-42-0102		339,286	244,014	-	95,272
Toal Amount Passed Through to Subrecipients				612,851				
Emergency Shelter Grants Program	9/24/14-9/24/16	14.231	E-14-UC-42-0010		9,434	43,392	33,958	-
	9/30/15-9/30/17	14.231	E-15-UC-42-0010		209,557	218,417	18,985	10,125
	9/16/16-9/16/18	14.231	E-16-UC-42-0010		28,135	14,845	-	13,290
Toal Amount Passed Through to Subrecipients				60,693				
Home Investment Partnerships Program	9/10/12-9/30/17	14.239	M-12-UC-42-0504		12,898	23,698	10,800	-
	9/5/13-9/30/18	14.239	M-13-UC-42-0504		188,672	274,349	85,676	-
	9/24/14-9/30/19	14.239	M-14-UC-42-0504		221,869	227,380	10,495	4,983
	9/23/15-9/30/20	14.239	M-15-UC-42-0504		55,316	66,087	10,771	-
	9/16/16-9/30/21	14.239	M-16-UC-42-0504		25,749	15,351	-	10,398
Toal Amount Passed Through to Subrecipients				69,960				
Continuum of Care Program	2/1/15-3/31/16	14.267	PA0642L3E031401		10,242	15,206	4,964	-
	8/1/15-7/31/16	14.267	PA0323L3E031407		19,417	31,153	11,736	-
	4/1/16-3/31/17	14.267	PA064263E031502		35,125	17,037	-	18,088
	6/1/16-5/31/17	14.267	PA0754L3E031500		29,901	16,826	-	13,075
	6/1/16-5/31/17	14.267	PA0755L3E031500		10,000	6,667	-	3,333
<u>Passed through Pennsylvania Department of Community and Economic Development:</u>								
Emergency Shelter Grants Program (DCED)	11/25/14-8/20/16	14.231	C000060141		39,708	70,627	30,919	-
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				<u>743,504</u>	<u>3,746,214</u>	<u>3,780,473</u>	<u>619,519</u>	<u>585,260</u>

Beaver County, Pennsylvania

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended December 31, 2016

Federal Granting Agency/Program/Subrecipient	Contract Period	Federal CFDA Number	Pass-Through Grant Number	Pass-Through Federal Expenditures	Federal Expenditures	Federal Grant Receipts	Accounts Receivable (Deferred Revenue)	
							January 1, 2016	December 31, 2016
U.S. DEPARTMENT OF JUSTICE								
Edward Byrne Memorial Justice Assistance Grant Program	7/1/15-6/30/17	16.738	2013-JG-04 22738-3		40,635	28,010	-	12,624
Toal Amount Passed Through to Subrecipients					40,635			
Edward Byrne Memorial Justice Assistance Grant Program	7/1/15-12/31/16	16.738	N/A		-	13,322	13,322	-
Criminal and Juvenile Justice and Mental Health Collaboration Program	7/1/14-6/30/15	16.745	2009-MO-BX-0015		719	719	-	-
Toal Amount Passed Through to Subrecipients					719			
Second Chance Act Prisoner Reentry Initiative	7/1/15-6/30/17	16.812	2011-CZ-BX-0049		295,300	295,300	-	-
Toal Amount Passed Through to Subrecipients					295,300			
<u>Passed through Pennsylvania Commission on Crime and Delinquency:</u>								
Crime Victim Assistance	7/1/13-6/30/16	16.575	24141		38,387	62,378	23,991	-
	7/1/16-6/30/19	16.575	26576		57,306	24,872	-	32,434
TOTAL U.S. DEPARTMENT OF JUSTICE					<u>339,474</u>	<u>432,347</u>	<u>424,601</u>	<u>45,058</u>
U.S. DEPARTMENT OF TRANSPORTATION								
<u>Passed through Pennsylvania Department of Transportation:</u>								
Highway Planning and Construction - Veterans Memorial Bridge	9/97 - extended	20.205	28898		2,510	16,407	13,897	-
Highway Planning and Construction - Washington Avenue Bridge	7/11 - extended	20.205	57103		640,899	644,884	9,349	5,364
Highway Planning Construction - Lancaster Road Bridge	4/12 - extended	20.205	92314		561,162	554,216	15,550	22,496
Highway Planning Construction - Brickyard Bridge	12/13 - extended	20.205	28806		115,439	114,429	21,301	22,311
Highway Planning Construction - Homewood Viaduct	12/13 - extended	20.205	28899		(1,797)	8,928	10,725	-
Highway Planning Construction - McHenry No. 1 Bridge	2/14 - extended	20.205	28831		134,876	121,473	4,683	18,085
TOTAL U.S. DEPARTMENT OF TRANSPORTATION					<u>-</u>	<u>1,453,089</u>	<u>1,460,337</u>	<u>68,256</u>
U.S. DEPARTMENT OF VETERANS AFFAIRS								
Supportive Services for Veteran Families	7/1/16-6/30/17	64.003	N/A		31,575	25,141	-	6,434
TOTAL U.S. DEPARTMENT OF VETERANS AFFAIRS					<u>-</u>	<u>31,575</u>	<u>25,141</u>	<u>6,434</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY								
Brownfields Assessment and Cleanup Cooperative Agreement (Recovery)	2/11/16-12/31/17	66.818	N/A		99,860	78,428	-	21,432
Toal Amount Passed Through to Subrecipients					99,860			
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY					<u>99,860</u>	<u>99,860</u>	<u>78,428</u>	<u>21,432</u>

Beaver County, Pennsylvania

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended December 31, 2016

Federal Granting Agency/Program/Subrecipient	Contract Period	Federal CFDA Number	Pass-Through Grant Number	Pass-Through Federal Expenditures	Federal Expenditures	Federal Grant Receipts	Accounts Receivable (Deferred Revenue)	
							January 1, 2016	December 31, 2016
U.S. DEPARTMENT OF EDUCATION								
<u>Passed through Pennsylvania Department of Human Services:</u>								
Special Education - Grants for Infants and Families	7/1/15-6/30/17	84.181	ME6300120231		75,864	104,658	28,794	-
Toal Amount Passed Through to Subrecipients				75,864				
TOTAL U.S. DEPARTMENT OF EDUCATION				<u>75,864</u>	<u>75,864</u>	<u>104,658</u>	<u>28,794</u>	<u>-</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES								
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED), BC Scores	7/1/15-6/30/17	93.104	5U79SM057057-05		979,330	595,853	-	383,478
Toal Amount Passed Through to Subrecipients				839,277				
<u>Passed through Pennsylvania Department of Aging:</u>								
Special Programs for the Aging_ Title VII, Chapter 3_Programs for Prevention of Elder Abuse, Neglect, and Exploitation	7/1/15-6/30/16 7/1/16-6/30/17	93.041 93.041	4100034507 4100034507		1,392 1,391	1,392 1,391	- -	- -
Special Programs for the Aging_ Title VII, Chapter 2_Long Term Care Ombudsman Services for Older Individuals	7/1/15-6/30/16 7/1/16-6/30/17	93.042 93.042	4100034507 4100034507		3,476 3,474	3,476 3,474	- -	- -
Special Programs for the Aging_ Title III, Part D_Disease Prevention and Health Promotion Services_Med Mgmt	7/1/15-6/30/16 7/1/16-6/30/17	93.043 93.043	4100034507 4100034507		7,333 7,243	14,668 7,243	7,335 -	- -
Special Programs for the Aging_ Title III, Part B_Grants for Supportive Services and Senior Centers	7/1/15-6/30/16 7/1/16-6/30/17	93.044 93.044	4100034507 4100034507		146,753 146,752	293,502 146,752	146,749 -	- -
Special Programs for the Aging_ Title III, Part C1_Congregate Meals	7/1/15-6/30/16 7/1/16-6/30/17	93.045 93.045	4100034507 4100034507		158,425 158,424	316,849 158,424	158,424 -	- -
National Family Caregiver Support, Title III, Part E	7/1/15-6/30/16 7/1/16-6/30/17	93.052 93.052	4100034507 4100034507		17,042 43,200	17,042 43,200	- -	- -
Nutrition Services Incentive Program	7/1/15-6/30/16 7/1/16-6/30/17	93.053 93.053	4100034507 4100034507		9,416 13,753	11,841 13,753	2,425 -	- -
Medicare Enrollment Assistance Program (F-MIPPA ADRC AAA)	7/1/15-6/30/16	93.071	4100034507		4,319	10,364	6,045	-
State Health Insurance Assistance Program	7/1/15-6/30/16 7/1/16-6/30/17	93.324 93.324	4100034507 4100034507		7,907 7,905	15,815 7,905	7,908 -	- -
Medical Assistance Program - Title XIX	7/1/15-6/30/16 7/1/16-6/30/17	93.778 93.778	4100036725 4100036725		119,790 97,824	119,790 97,824	- -	- -
<u>Passed through Pennsylvania Department of Human Services:</u>								
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	7/1/14-6/30/16	93.243	ME6300120231		499,897	443,723	76,611	132,784
Toal Amount Passed Through to Subrecipients				484,897				
Drug-Free Communities Support Program Grants	7/1/15-6/30/17	93.276	1H79SP021549-01		5,665	-	-	5,665
Toal Amount Passed Through to Subrecipients				4,940				

Beaver County, Pennsylvania

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended December 31, 2016

Federal Granting Agency/Program/Subrecipient	Contract Period	Federal CFDA Number	Pass-Through Grant Number	Pass-Through Federal Expenditures	Federal Expenditures	Federal Grant Receipts	Accounts Receivable (Deferred Revenue)	
							January 1, 2016	December 31, 2016
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES - CONTINUED								
<u>Passed through Pennsylvania Department of Human Services:</u>								
Promoting Safe and Stable Families	7/1/15-6/30/16	93.556	N/A		1,982	1,982	-	-
Temporary Assistance for Needy Families - TANF	7/1/15-6/30/16 7/1/16-6/30/17	93.558 93.558	ME9661600104 ME9661600104		294,662 354,440	610,440 -	315,778 -	- 354,440
Toal Amount Passed Through to Subrecipients				649,102				
Temporary Assistance for Needy Families - TANF	10/1/14-9/30/17	93.558	4100064866		237,016	237,016	-	-
Toal Amount Passed Through to Subrecipients				226,159				
Child Support Enforcement - Title IV-D	10/1/15-9/30/20	93.563	4100070649		1,740,644	1,675,050	409,948	475,543
Community-Based Child Abuse Prevention Grants	7/1/15-6/30/16 7/1/16-6/30/17	93.590 93.590	N/A N/A		30,600 30,600	30,600 -	- -	- 30,600
Toal Amount Passed Through to Subrecipients				30,600				
Child Welfare Services_State Grants - Title IV-B	7/1/15-6/30/16 7/1/16-6/30/17	93.645 93.645	ME100431600 ME100431600		18,755 18,756	37,511 18,756	18,756 -	- -
Foster Care_Title IV-E	7/1/13-6/30/14 7/1/14-6/30/15 7/1/15-6/30/16 7/1/16-6/30/17	93.658 93.658 93.658 93.658	ME100421600 ME100421600 ME100421600 ME100421600		226 2,053 25,511 7,232	226 1,140 45,120 -	- - 19,609 -	- 913 - 7,232
Foster Care_Title IV-E and AFCARS	7/1/15-6/30/16 7/1/16-6/30/17	93.658 93.658	ME100421600 ME100421600		652,377 595,775	1,212,803 -	575,603 -	15,177 595,775
Foster Care_Title IV-E Information Technology Grant	7/1/14-6/30/15 7/1/15-6/30/16 7/1/16-6/30/17	93.658 93.658 93.658	ME100421600 ME100421600 ME100421600		- 30,617 17,358	6,171 47,989 -	6,171 17,372 -	- - 17,358
Guardianship Assistance - Recovery	7/1/15-6/30/16 7/1/16-6/30/17	93.090 93.090	ME100421600 ME100421600		13,913 13,118	27,760 -	13,846 -	- 13,118
Adoption Assistance - Title IV-E	7/1/15-6/30/16 7/1/16-6/30/17	93.659 93.659	ME100421600 ME100421600		271,806 219,871	545,966 -	275,025 -	864 219,871
Social Services Block Grant - Mental Health/Mental	7/1/15-6/30/17	93.667	ME6300110231		189,382	284,075	94,693	-
Toal Amount Passed Through to Subrecipients				189,382				
Social Services Block Grant - Title XX	7/1/15-6/30/16 7/1/16-6/30/17	93.667 93.667	ME100421600 ME100421600		97,401 97,400	194,801 97,400	97,400 -	- -
Chafee Foster Care Independence Program	7/1/15-6/30/16 7/1/16-6/30/17	93.674 93.674	ME100431600 ME100431600		25,956 25,956	51,912 25,956	25,956 -	- -
Medical Assistance	7/1/15-6/30/16 7/1/16-6/30/17	93.778 93.778	N/A N/A		2,825 4,975	4,156 4,188	1,331 -	- 788
Medical Assistance - Mental Health/Intellectual Disability Program, Waiver Program, and Early Intervention Program	7/1/15-6/30/17	93.778	ME6300120231		1,103,677	1,284,309	180,632	-

Beaver County, Pennsylvania

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended December 31, 2016

Federal Granting Agency/Program/Subrecipient	Contract Period	Federal CFDA Number	Pass-Through Grant Number	Pass-Through Federal Expenditures	Federal Expenditures	Federal Grant Receipts	Accounts Receivable (Deferred Revenue)	
							January 1, 2016	December 31, 2016
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES - CONTINUED								
<u>Passed through Pennsylvania Department of Human Services:</u>								
Medical Assistance - Title IV-E Medicaid	7/1/15-6/30/16	93.778	ME 100421600		3,335	7,244	3,909	-
	7/1/16-6/30/17	93.778	ME 100421600		2,702	-	-	2,702
Medical Assistance - Transportation (B.C. Transit Authority) Program	7/1/14-6/30/15	93.778	ME6300220204		54,136	54,136	-	-
	7/1/15-6/30/16	93.778	ME6300220204		460,891	460,891	-	-
	7/1/16-6/30/17	93.778	ME6300220204		472,200	472,200	-	-
Toal Amount Passed Through to Subrecipients				987,227				
Block Grants for Community Mental Health Services	7/1/15-6/30/17	93.958	ME6300110231		223,220	320,410	97,190	-
Toal Amount Passed Through to Subrecipients				223,220				
<u>Passed through University of Pittsburgh:</u>								
Foster Care_Title IV-E Educators Fund - CWEL	7/1/15-6/30/16	93.658	ME100421600		17,198	41,335	24,137	-
	7/1/16-6/30/17	93.658	ME100421600		23,287	-	-	23,287
<u>Passed through Pennsylvania Department of Drug and Alcohol Programs:</u>								
Block Grant for Prevention and Treatment of Substance Abuse	7/1/15-6/30/17	93.959	4100053030		540,785	623,760	505,739	422,764
Toal Amount Passed Through to Subrecipients				392,953				
<u>Passed through Pennsylvania Department of Community and Economic Development:</u>								
Community Services Block Grant	1/1/14-12/31/16	93.569	C000057050		229,004	402,920	173,916	-
Toal Amount Passed Through to Subrecipients				229,004				
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					<u>4,256,761</u>	<u>10,592,353</u>	<u>11,152,504</u>	<u>3,262,508</u> <u>2,702,359</u>
U.S. DEPARTMENT OF HOMELAND SECURITY / FEMA								
<u>Passed through Pennsylvania Emergency Management Agency:</u>								
Emergency Management Performance Grant	10/1/15-9/30/16	97.042	N/A		30,351	7,288	5,952	29,015
	10/1/16-9/30/17	97.042	N/A		7,116	-	-	7,116
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY / FEMA					<u>-</u>	<u>37,467</u>	<u>7,288</u>	<u>5,952</u> <u>36,131</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS					<u>5,534,035</u>	<u>16,551,134</u>	<u>17,112,207</u>	<u>4,036,305</u> <u>3,475,232</u>

Beaver County, Pennsylvania

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
CLUSTER AND PROGRAM TOTALS
For the year ended December 31, 2016

Program/Cluster	Federal CFDA Number	Federal Expenditures	Federal Grant Receipts	Accounts Receivable (Deferred Revenue)	
				January 1, 2016	December 31, 2016
Emergency Food Assistance Cluster	10.568 & 10.569	82,365	78,777	6,714	10,302
CDBG - Entitlement Grants Cluster	14.218 & 14.253	2,850,191	2,739,438	401,215	511,968
Highway Planning and Construction Cluster	20.205	1,453,089	1,460,337	75,505	68,256
Early Intervention Services (IDEA) Cluster	84.181 & 84.393	75,864	104,658	28,794	0
Aging Cluster	93.044, 93.045, & 93.053	633,523	941,121	307,598	0
TANF Cluster	93.558	886,118	847,456	315,778	354,440
CSBG Cluster	93.569	229,004	402,920	173,916	0
Medicaid Cluster	93.778	2,322,355	2,504,738	185,872	3,490
JAG Program Cluster	16.738 & 16.803	40,635	41,332	13,322	12,624
Emergency Shelter Grants Program (DCED)	14.231	286,834	347,281	83,862	23,415
Home Investment Partnerships Program	14.239	504,504	606,865	117,742	15,381
Supportive Housing Program	14.267	104,685	86,889	16,700	34,496
Crime Victim Assistance	16.575	95,693	87,250	23,991	32,434
Criminal and Juvenile Justice and Mental Health Collaboration Program	16.745	719	719	0	0
Second Chance Act Prisoner Reentry Initiative	16.812	295,300	295,300	0	0
Supportive Services for Veteran Families	64.003	31,575	25,141	0	6,434
Brownfields Assessment and Cleanup Cooperative Agreement (Recovery)	66.818	99,860	78,428	0	21,432
Special Programs for the Aging_ Title VII, Chapter 3_Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	2,783	2,783	0	0
Special Programs for the Aging_ Title VII, Chapter 2_Long Term Care Ombudsman Services for Older Individuals	93.042	6,950	6,950	0	0

Beaver County, Pennsylvania

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 CLUSTER AND PROGRAM TOTALS
 For the year ended December 31, 2016

Program/Cluster	Federal CFDA Number	Federal Expenditures	Federal Grant Receipts	Accounts Receivable (Deferred Revenue)	
				January 1, 2016	December 31, 2016
Special Programs for the Aging_Title III, Part D_Disease Prevention and Health Promotion Services / Med Mgmt	93.043	14,576	21,911	7,335	0
National Family Caregiver Support, Titel III, Part E	93.052	60,242	60,242	0	0
Medicare Enrollment Assistance Program	93.071	4,319	10,364	6,045	0
Guardianship Assistance - Recovery	93.090	27,031	27,760	13,846	13,118
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED), BC Scores	93.104	979,330	595,853	0	383,478
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	499,897	443,723	76,611	132,784
Drug-Free Communities Support Program Grants	93.276	5,665	0	0	5,665
State Health Insurance Assistance Program	93.324	15,812	23,720	7,908	0
Promoting Safe and Stable Families	93.556	1,982	1,982	0	0
Child Support Enforcement - Title IV-D	93.563	1,740,644	1,675,050	409,948	475,543
Community-Based Child Abuse Prevention Grants	93.590	61,200	30,600	0	30,600
Child Welfare Services_State Grants - Title IV-B	93.645	37,511	56,267	18,756	0
Foster Care_Title IV-E	93.658	1,371,634	1,354,784	642,892	659,742
Adoption Assistance - Title IV-E	93.659	491,677	545,966	275,025	220,735
Social Sevices Block Grant	93.667	384,183	576,276	192,093	0
Chafee Foster Care Independence Program	93.674	51,912	77,868	25,956	0
Block Grants for Community Mental Health Services	93.958	223,220	320,410	97,190	0
Block Grant for Prevention and Treatment of Substance Abuse	93.959	540,785	623,760	505,739	422,764
Emergency Management Performance Grant	97.042	37,467	7,288	5,952	36,131
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>16,551,134</u>	<u>17,112,207</u>	<u>4,036,305</u>	<u>3,475,232</u>

County of Beaver, Pennsylvania

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended December 31, 2016**

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the County of Beaver (the County) under programs of the federal government for the year ended December 31, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because this Schedule presents only a selected portion of the operations of the County, it is not intended and does not present the financial position, changes in net assets, nor cash flows of the County.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The County has elected to not use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D – BALANCE OF LOANS

The County administers loans to support affordable housing for low-income households through the HOME Investments Partnership Program funded by the U.S. Department of Housing and Urban Development. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balance of the loans outstanding at December 31, 2016 consists of:

<u>Federal Grantor /Program</u>	<u>Federal CFDA Number</u>	<u>Outstanding Balance at December 31, 2016</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
Community Development Block Grant/Entitlement Grants	14.218	\$960,307

September 27, 2017

The Board of County Commissioners and the Controller
County of Beaver
Beaver, Pennsylvania

**INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING "AGREED-UPON PROCEDURES"
FOR FISCAL YEAR FINANCIAL SCHEDULES AND EXHIBITS**

We have performed the procedures enumerated below, which were agreed to by the Commonwealth of Pennsylvania, Department of Human Services (DHS), and the County of Beaver solely to assist you with respect to the financial schedules and exhibits required by the DHS Single Audit Supplement. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the DHS. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested, or for any other purpose.

The procedures and associated findings are as follows:

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

<u>Program Name</u>	<u>Exhibit Number</u>	<u>Referenced Schedule/Exhibit</u>
Child Support Enforcement	A-1(a)	Comparison of Single Audit Expenditures with Reported Expenditures
Medical Assistance Transportation Program	III	Schedule of Revenues and Expenditures
Early Intervention Services	V (a) EI	Schedule of Revenues, Expenditures, and Carryover Funds
Early Intervention Services	V (b) EI	Report of Income and Expenditures
County Human Services Block Grant	VI (a) BG-S	Schedule of Fund Balances – Summary
Supplemental Schedule Reconciliation	XX	Federal Awards Passed through the Pennsylvania DHS

- b. We have inquired of management regarding adjustments to reported revenues or expenditures, which were not reflected on the reports submitted to DHS for the periods in question.
- c. The processes detailed in paragraphs (a) and (b) above disclosed no adjustments and/or findings which have not been reflected on the corresponding schedules.

We were not engaged to, and did not perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the DHS and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

The Binkley Kanavy Group, LLC

Certified Public Accountants

County of Beaver, Pennsylvania

CHILD SUPPORT ENFORCEMENT
COMPARISON OF SINGLE AUDIT EXPENDITURES WITH REPORTED EXPENDITURES
For the Twelve Month Period Ended December 31, 2016

Quarter Ending:	<u>Single Audit Expenditures</u>					<u>Reported Expenditures</u>					<u>Single Audit Over (Under) Reported</u>				
	A. Total	B. Unallowable	C. Incentive Paid Costs	Net (A - B - C)	Amt. Paid	A. Total	B. Unallowable	C. Incentive Paid Costs	Net (A - B - C)	Amt. Paid	A. Total	B. Unallowable	C. Incentive Paid Costs	Net (A - B - C)	Amt. Paid
3/31/2016															
1. Salary/Overhead	\$ 657,219	\$ 29,803	\$ 95,223	\$ 532,193	\$ 351,247	\$ 657,219	\$ 29,803	\$ 95,223	\$ 532,193	\$ 351,247	\$ -	\$ -	\$ -	\$ -	\$ -
2. Fees & Costs	6	-	-	6	3	6	-	-	6	3	-	-	-	-	-
3. Interest/Prog. Income	8,794	402	-	8,392	5,539	8,794	402	-	8,392	5,539	-	-	-	-	-
4. Blood Testing Fees	596	-	-	596	394	596	-	-	596	394	-	-	-	-	-
5. Blood Testing Costs	966	-	-	966	637	966	-	-	966	637	-	-	-	-	-
6. ADP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Total (1-2-3-4+5+6)	\$ 648,789	\$ 29,401	\$ 95,223	\$ 524,165	\$ 345,948	\$ 648,789	\$ 29,401	\$ 95,223	\$ 524,165	\$ 345,948	\$ -	\$ -	\$ -	\$ -	\$ -

Quarter Ending:	<u>Single Audit Expenditures</u>					<u>Reported Expenditures</u>					<u>Single Audit Over (Under) Reported</u>				
	A. Total	B. Unallowable	C. Incentive Paid Costs	Net (A - B - C)	Amt. Paid	A. Total	B. Unallowable	C. Incentive Paid Costs	Net (A - B - C)	Amt. Paid	A. Total	B. Unallowable	C. Incentive Paid Costs	Net (A - B - C)	Amt. Paid
6/30/2016															
1. Salary/Overhead	\$ 671,749	\$ 22,667	\$ 48,751	\$ 600,331	\$ 396,218	\$ 671,749	\$ 22,667	\$ 48,751	\$ 600,331	\$ 396,218	\$ -	\$ -	\$ -	\$ -	\$ -
2. Fees & Costs	6	-	-	6	4	6	-	-	6	4	-	-	-	-	-
3. Interest/Prog. Income	9,802	341	-	9,461	6,244	9,802	341	-	9,461	6,244	-	-	-	-	-
4. Blood Testing Fees	586	-	-	586	387	586	-	-	586	387	-	-	-	-	-
5. Blood Testing Costs	530	-	-	530	350	530	-	-	530	350	-	-	-	-	-
6. ADP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Total (1-2-3-4+5+6)	\$ 661,885	\$ 22,326	\$ 48,751	\$ 590,808	\$ 389,933	\$ 661,885	\$ 22,326	\$ 48,751	\$ 590,808	\$ 389,933	\$ -	\$ -	\$ -	\$ -	\$ -

County of Beaver, Pennsylvania

**CHILD SUPPORT ENFORCEMENT
COMPARISON OF SINGLE AUDIT EXPENDITURES WITH REPORTED EXPENDITURES (CONTINUED)
For the Twelve Month Period Ended December 31, 2016**

Quarter Ending:	<u>Single Audit Expenditures</u>					<u>Reported Expenditures</u>					<u>Single Audit Over (Under) Reported</u>				
	A. Total	B. Unallowable	C. Incentive Paid Costs	Net (A - B - C)	Amt. Paid	A. Total	B. Unallowable	C. Incentive Paid Costs	Net (A - B - C)	Amt. Paid	A. Total	B. Unallowable	C. Incentive Paid Costs	Net (A - B - C)	Amt. Paid
9/30/2016															
1. Salary/Overhead	\$ 615,704	\$ 17,984	\$ 53,753	\$ 543,967	\$ 359,018	\$ 615,704	\$ 17,984	\$ 53,753	\$ 543,967	\$ 359,018	\$ -	\$ -	\$ -	\$ -	\$ -
2. Fees & Costs	6	-	-	6	4	6	-	-	6	4	-	-	-	-	-
3. Interest/Prog. Income	13,846	411	-	13,435	8,866	13,846	411	-	13,435	8,866	-	-	-	-	-
4. Blood Testing Fees	684	-	-	684	451	684	-	-	684	451	-	-	-	-	-
5. Blood Testing Costs	815	-	-	815	538	815	-	-	815	538	-	-	-	-	-
6. ADP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Total (1-2-3-4+5+6)	\$ 601,983	\$ 17,573	\$ 53,753	\$ 530,657	\$ 350,234	\$ 601,983	\$ 17,573	\$ 53,753	\$ 530,657	\$ 350,234	\$ -	\$ -	\$ -	\$ -	\$ -

Quarter Ending:	<u>Single Audit Expenditures</u>					<u>Reported Expenditures</u>					<u>Single Audit Over (Under) Reported</u>				
	A. Total	B. Unallowable	C. Incentive Paid Costs	Net (A - B - C)	Amt. Paid	A. Total	B. Unallowable	C. Incentive Paid Costs	Net (A - B - C)	Amt. Paid	A. Total	B. Unallowable	C. Incentive Paid Costs	Net (A - B - C)	Amt. Paid
12/31/2016															
1. Salary/Overhead	\$ 872,348	\$ 21,009	\$ 48,686	\$ 802,653	\$ 529,751	\$ 872,348	\$ 21,009	\$ 48,686	\$ 802,653	\$ 529,751	\$ -	\$ -	\$ -	\$ -	\$ -
2. Fees & Costs	6	-	-	6	3	6	-	-	6	3	-	-	-	-	-
3. Interest/Prog. Income	8,830	206	-	8,624	5,692	8,830	206	-	8,624	5,692	-	-	-	-	-
4. Blood Testing Fees	612	-	-	612	405	612	-	-	612	405	-	-	-	-	-
5. Blood Testing Costs	663	-	-	663	438	663	-	-	663	438	-	-	-	-	-
6. ADP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Total (1-2-3-4+5+6)	\$ 863,563	\$ 20,803	\$ 48,686	\$ 794,074	\$ 524,089	\$ 863,563	\$ 20,803	\$ 48,686	\$ 794,074	\$ 524,089	\$ -	\$ -	\$ -	\$ -	\$ -

County of Beaver, Pennsylvania

MEDICAL ASSISTANCE TRANSPORTATION PROGRAM
SCHEDULE OF REVENUES AND EXPENDITURES
For the Twelve Month Period Ended June 30, 2016

Service Data	<u>Reported</u>	<u>Actual</u>
Expenditures		
Group I Clients	\$ 1,677,194	\$ 1,677,194
Group II Clients	<u>153,504</u>	<u>153,504</u>
Total Expenditures	<u>\$ 1,830,698</u>	<u>\$ 1,830,698</u>
 Allocation Data		
Revenues		
Pennsylvania Department of Human Services	\$ 1,825,631	\$ 1,825,631
Total Revenues	<u>1,825,631</u>	<u>1,825,631</u>
Funds Expended		
Operating Costs	1,514,709	1,514,709
Administrative Costs	<u>315,989</u>	<u>315,989</u>
Excess Revenues over Expenditures	<u>\$ (5,067)</u>	<u>\$ (5,067)</u>

County of Beaver, Pennsylvania

**COUNTY REPORT OF INCOME AND EXPENDITURES
COUNTY HUMAN SERVICES BLOCK GRANT
For the Twelve Month Period Ended June 30, 2016**

Schedule of Fund Balances – Summary Report

County Match	4.81%
Actual County Match (\$)	\$563,480
Actual County Match (%)	4.81%

Block Grant Reporting		Costs Eligible for DHS Participation (2)										
Sources of Funding:	Appropriation	DHS Allocation (1)	Mental Health	Intellectual Disabilities	Homeless Assistance	Child Welfare	HSS	D&A	Total	Balance of Funds (3)	Adjustments (4)	Total Fund Balance (5)
1 State Human Services Block Grant	Multiple	\$ 11,663,468	\$ 7,296,817	\$ 2,674,643	\$ 116,530	\$ 937,843	\$ 435,788	\$ 3,050	\$ 11,464,671	\$ 198,797	\$ -	\$ 198,797
2 SSBG	Multiple	189,385	93,914	95,471	-	-	-	-	189,385	-	-	-
3 SABG	70113	-	-	-	-	-	-	-	-	-	-	-
4 CMHSBG	70167	223,222	223,222	-	-	-	-	-	223,222	-	-	-
5 MA	70175	128,003	-	128,003	-	-	-	-	128,003	-	-	-
6 Crisis Counseling	80222	-	-	-	-	-	-	-	-	-	-	-
Total for Block Grant		\$ 12,204,078	\$ 7,613,953	\$ 2,898,117	\$ 116,530	\$ 937,843	\$ 435,788	\$ 3,050	\$ 12,005,281	\$ 198,797	\$ -	\$ 198,797

Retained Earnings	
I. Unexpended Allocation	\$ 198,797
II. Maximum Retained Earnings (3%)	\$ 349,904
III. Waiver Requested Money (if applicable)	\$ -
IV. Total Requested Retained Earnings	\$ 198,797

Prior Year Retained Earnings	
I. FY 14-15 Retained Earning	\$ 250,106
II. Total Expended Retained Earnings-3%	\$ 250,106
III. Total Expended Retained Earnings-Waiver of 3%	\$ -
IV. Amounts to be Returned to DHS	\$ -

County of Beaver, Pennsylvania

SCHEDULE OF REVENUES, EXPENDITURES, AND CARRYOVER FUNDS
EARLY INTERVENTION SERVICES
For the Twelve Month Period Ended June 30, 2016

Sources of Funding	DHS Funds Available				Cost Eligible for DHS Participation	Balance of Funds	Grant Fund Adjs.	Total Fund Balance
	App	Carryover	Allotment	Total Allocation				
		(1)	(2)	(3)				
A. Early Intervention								
1. Early Intervention Services	10235	\$ -	\$ 1,213,830	\$ 1,213,830	\$ 1,213,830	\$ -	\$ -	\$ -
2. Early Intervention - Training	10235	-	5,085	5,085	5,085	-	-	-
3. Early Intervention Administration	10235	-	43,216	43,216	43,216	-	-	-
4. Infant & Toddlers w/ Disabilities (Part C)	70170	-	73,180	73,180	73,180	-	-	-
5. IT & F Waiver Admin	10235/70184	-	8,574	8,574	8,574	-	-	-
7. Reserved	00001	-	-	-	-	-	-	-
8. Total		\$ -	\$ 1,343,885	1,343,885	\$ 1,343,885	\$ -	\$ -	\$ -

County of Beaver, Pennsylvania
REPORT OF INCOME AND EXPENDITURES
EARLY INTERVENTION PROGRAM
For the Twelve Month Period Ended June 30, 2016

	Admin Office	Early Intervention	Supports Coordination	Total
I. TOTAL ALLOCATION				\$ 1,343,885
II. TOTAL EXPENDITURES	\$ 57,159	\$ 1,025,578	\$ 584,726	\$ 1,667,463
III. COSTS OVER ALLOCATION				
A. County Funded Eligible	-	-	-	-
B. County Funded Ineligible	558	-	4,665	5,223
C. Other Eligible	-	-	-	-
D. Other Ineligible	-	-	-	-
Subtotal Costs Over Allocation	558	-	4,665	5,223
IV. REVENUE				
A. Program Service Fees	-	-	-	-
B. Private Insurance Fees	-	-	-	-
C. Medical Assistance	-	-	169,978	169,978
D. Earned Interest	9	-	-	9
E. Other	-	-	-	-
Subtotal Revenues	9	-	169,978	169,987
V. DHS REIMBURSEMENT				
C. DHS Categorical Funding 90%	43,216	923,020	369,075	1,335,311
D. DHS Categorical Funding 100%	8,574	-	-	8,574
Subtotal DHS Reimbursement	51,790	923,020	369,075	1,343,885
VI. COUNTY MATCH				
10% County Match	4,802	102,558	41,008	148,368
Subtotal County Match	4,802	102,558	41,008	148,368
VII. TOTAL DHS REIMBURSEMENT AND COUNTY MATCH	\$ 56,592	\$ 1,025,578	\$ 410,083	\$ 1,492,253
VIII. TOTAL CARRYOVER				\$ -

Beaver County, Pennsylvania

SUPPLEMENTAL SCHEDULE - RECONCILIATION
For the Twelve Month Period Ended December 31, 2016Federal Awards Passed through the Pennsylvania Department of Human Services
Expenditures per the SEFA to Revenue Received per the Pennsylvania Audit Confirmation Reply

(A) CFDA Name	(B) CFDA Number	(C) Federal Expenditures per the SEFA	(D) Federal Awards Received per the audit confirmation reply from Pennsylvania	(E) Difference (C - D)	(F) % Difference (E / D)	(G) Detailed Explanation of the Differences
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	-	35,755.99	(35,755.99)	-100.00%	The difference is due to the timing of when the expenditure occurred and when the payment was received from DHS.
Special Education - Grants for Infants and Families	84.181	75,864.00	91,602.00	(15,738.00)	-17.18%	The difference is due to the timing of when the expenditure occurred and when the payment was received from DHS.
Guardianship Assistance - Recovery	93.090	27,760.00	33,206.92	(5,446.92)	-16.40%	The difference is due to the timing of when the expenditure occurred and when the payment was received from DHS.
Promoting Safe and Stable Families	93.556	1,982.00	1,982.00	-	0.00%	
Temporary Assistance for Needy Families - TANF	93.558	886,118.00	953,747.75	(67,629.75)	-7.09%	The difference is due to the timing of when the expenditure occurred and when the payment was received from DHS.
Child Support Enforcement - Title IV-D	93.563	1,740,644.00	1,673,919.85	66,724.15	3.99%	The difference is due to the timing of when the expenditure occurred and when the payment was received from DHS.
Community-Based Child Abuse Prevention Grants	93.590	61,200.00	30,600.00	30,600.00	100.00%	The difference is due to the timing of when the expenditure occurred and when the payment was received from DHS.
Child Welfare Services_State Grants - Title IV-B	93.645	37,511.00	37,511.00	-	0.00%	
Foster Care_Title IV-E	93.658	35,022.00	46,372.95	(11,350.95)	-24.48%	The difference is due to the timing of when the expenditure occurred and when the payment was received from DHS. There was also a payment from DHS for an invoice adjustment to 2014 expenditures.
Foster Care_Title IV-E and AFCARS	93.658	1,248,152.00	1,445,805.96	(197,653.96)	-13.67%	The difference is due to the timing of when the expenditure occurred and when the payment was received from DHS.
Foster Care_Title IV-E Information Technology Grant	93.658	47,975.00	54,159.97	(6,184.97)	-11.42%	The difference is due to the timing of when the expenditure occurred and when the payment was received from DHS.
Adoption Assistance - Title IV-E	93.659	491,677.00	549,633.87	(57,956.87)	-10.54%	The difference is due to the timing of when the expenditure occurred and when the payment was received from DHS.
Social Services Block Grant - Mental Health/Mental	93.667	284,075.00	236,730.00	47,345.00	20.00%	The difference is due to the timing of when the expenditure occurred and when the payment was received from DHS.
Social Services Block Grant - Title XX	93.667	292,201.00	194,801.00	97,400.00	50.00%	The difference is due to the timing of when the expenditure occurred and when the payment was received from DHS.
Chafee Foster Care Independence Program	93.674	51,912.00	51,912.00	-	0.00%	
Medical Assistance - Mental Health/Intellectual Disability Program, Waiver Program, and Early Intervention Program	93.778	1,103,677.00	904,093.02	199,583.98	22.08%	The difference is due to the timing of when the expenditure occurred and when the payment was received from DHS.
Medical Assistance - Title IV-E Medicaid	93.778	6,037.00	7,637.41	(1,600.41)	-20.95%	The difference is due to the timing of when the expenditure occurred and when the payment was received from DHS.
Medical Assistance - Transportation (B.C. Transit Authority) Program	93.778	987,227.00	967,493.00	19,734.00	2.04%	The difference is due to the timing of when the expenditure occurred and when the payment was received from DHS.
Block Grants for Community Mental Health Services	93.958	223,220.00	271,816.00	(48,596.00)	-17.88%	The difference is due to the timing of when the expenditure occurred and when the payment was received from DHS.

OTHER REPORTS OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

The Board of County Commissioners
and the Beaver County Controller
County of Beaver
Beaver, Pennsylvania

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Beaver (the County) as of and for the year ended December 31, 2016 (with the aggregate discretely presented component units as of and for the year ended June 30, 2016), and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 27, 2017. Our report includes a reference to other auditors who audited the financial statements of the Beaver County Transit Authority and the Community College of Beaver County as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

The Binkley Kanavy Group, LLC

Certified Public Accountants
September 27, 2017

The Board of County Commissioners
and the Beaver County Controller
County of Beaver
Beaver, Pennsylvania

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Report on Compliance for Each Major Federal Program

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

Our report includes a reference to other auditors who audited the financial statements of the Beaver County Transit Authority and the Community College of Beaver County, as of and for the year ended June 30, 2016, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of compliance with the requirements for each major program and on internal control over compliance required by the Uniform Guidance that are reported on separately by those auditors.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

The Binkley Kanavy Group, LLC

Certified Public Accountants
September 27, 2017

County of Beaver, Pennsylvania

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2016

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	None reported
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	None reported

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	None reported
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 516(a) of 2 CFR 200?	None reported

Identification of major programs:

<u>CFDA Number(s):</u>	<u>Name of Federal Program or Cluster:</u>
14.218	Community Development Block grant
93.044, 93.045, 93.053	Aging Cluster
93.104	Community Mental Health Services for Children with Serious Emotional Disturbances
93.778	Medicaid Cluster

Dollar threshold used to distinguish between type A and type B programs:	\$750,000
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Auditee qualified as low risk auditee?	Yes
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Section II - Financial Statement Findings

No Findings Noted.

Section III - Federal Award Findings and Questioned Costs

See Summary Schedule of Audit Findings on the following page.

County of Beaver, Pennsylvania

SUMMARY SCHEDULE OF CURRENT AND PRIOR AUDIT FINDINGS
Year Ended December 31, 2016

SUMMARY SCHEDULE OF AUDIT FINDINGS

No findings noted.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No findings noted.