

**COUNTY OF ADAMS  
GETTYSBURG, PENNSYLVANIA**

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2016**

COUNTY OF ADAMS  
YEAR ENDED DECEMBER 31, 2016

CONTENTS

	<u>Page</u>
Independent Auditors' Report on Financial Statements	1-3
Management's Discussion and Analysis	4-18
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Position	19
Statement of Activities	20
Fund Financial Statements	
Balance Sheet – Governmental Funds	21-22
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	23
Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit)	
- Governmental Funds	24
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	25
Statement of Fund Net Position – Proprietary Funds	26
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds	27
Statement of Cash Flows – Proprietary Funds	28
Statement of Fiduciary Net Position – Fiduciary Fund	29
Notes to Financial Statements	30-68
Required Supplemental Information	
Schedule of Funding Progress – Postemployment Benefits Other than Pensions	70
Schedule of Changes in the County's Net Pension Liability and Related Ratios – Last 10 Years	71
Schedule of County Contributions – Last 10 years	72
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	
- General Fund	73
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	
- Children and Youth	74
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	
- Managed Care Fund	75
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	
- 911 Fund	76
Other Supplemental Information	
Net Position by Component	78
Net Assets by Component	79
Changes in Net Position	80-81
Changes in Net Assets	82-83
Governmental Activities Tax Revenues by Source	84
Fund Balances of Governmental Funds	85

COUNTY OF ADAMS  
YEAR ENDED DECEMBER 31, 2016

CONTENTS (Continued)

	<u>Page</u>
Other Supplemental Information (Continued)	
Changes in Fund Balances of Governmental Funds	86
General Government Expenditures by Function	87
General Government Revenues by Source	88
Governmental Fund Tax Revenues by Source	89

# Zelenkofske Axelrod LLC

## INDEPENDENT AUDITORS' REPORT

County Commissioners  
County of Adams  
Gettysburg, Pennsylvania

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the COUNTY OF ADAMS, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the COUNTY OF ADAMS'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 blended component unit financial statements for the Adams County Industrial Development Authority, which represent 100%, 100%, and 100% of the assets, net position, and revenues, respectively, of the business-type activities. In addition, we did not audit the blended component unit financial statements of the Adams County Conservation District, a nonmajor fund, which represents 4.0%, 11.6%, and 1.8% of the assets, net position, and revenues, respectively, of the reported governmental activities and 3.9%, 6.4%, and 1.8% of the assets, fund balances, and revenues, respectively, of the reported aggregate remaining fund information. 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 the business-type activities, governmental activities, and the aggregate remaining fund information, 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. The financial statements of the Adams County Industrial Development Authority were not audited in accordance with *Government Auditing Standards*. 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.

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# Zelenkofske Axelrod LLC

County Commissioners  
County of Adams  
Gettysburg, Pennsylvania  
Page 2

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 the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the COUNTY OF ADAMS, as of December 31, 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.

## **Adoption of Governmental Accounting Standards Board Pronouncements**

As discussed in Note 1 to the financial statements in 2016, the COUNTY OF ADAMS adopted the provisions of Governmental Accounting Standards Board's ("GASB") Statement No. 72, "*Fair Value Measurement and Application*", Statement 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,*" Statement No. 76, "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*", Statement No. 77, "*Tax Abatement Disclosures*", Statement No. 78, "*Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*", and Statement No. 79, "*Certain External Investment Pools and Pool Participants*". Our opinion is not modified with respect to these matters.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Funding Progress for Postemployment Benefits Other Than Pensions, Schedule of Changes in the County's Net Pension Liability and Related Ratios – Last 10 Years, Schedule of County Contributions – Last 10 years, and budgetary comparison schedules on pages 4 through 18 and pages 70 through 76 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 inquires 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.

# Zelenkofske Axelrod LLC

County Commissioners  
County of Adams  
Gettysburg, Pennsylvania  
Page 3

## *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise COUNTY OF ADAMS's basic financial statements. The statistical schedules on pages 78 to 89 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The statistical schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2017 on our consideration of the COUNTY OF ADAMS's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the COUNTY OF ADAMS's internal control over financial reporting and compliance.

*Zelenkofske Axelrod LLC*

ZELENKOFSCHE AXELROD LLC

Harrisburg, Pennsylvania  
September 11, 2017

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2016**

The COUNTY OF ADAMS, hereafter referred to as the "COUNTY", is pleased to present its financial statements developed in compliance with Statement of Governmental Accounting Standard No. 34, entitled "Basic Financial Statements – Management's Discussion and Analysis – For State and Local Governments (hereafter "GASB 34"), and related standards. GASB 34 enhances information provided to the users of its financial statements. This section of the financial reporting package presents our discussion and analysis of the COUNTY'S financial performance during the years ended December 31, 2015 and December 31, 2016. Please read it in conjunction with the COUNTY'S financial statements that follow this section.

**Financial Highlights:**

- Total assessed taxable property values in 2016 were \$9,256,931,500. The Library millage rate remained at .1147 mills during 2016; 3.8046 for general county purposes which includes .3675 for public safety projects for an overall total County Millage of 3.9193 in 2016.
- The COUNTY'S general fund balance was \$22.7 million with an unassigned portion of \$20.7 million or 41% of the total general fund expenditures.
- The COUNTY'S governmental activities net position decreased by approximately \$3.1 million. This decrease was due primarily to expenses exceeding operating revenues during 2016.
- The COUNTY'S bond rating upgraded by Moody's to Aa3 in 2014 and assigned a positive rating outlook in 2015, was recently upgraded to Aa2 in 2017.
- The COUNTY had \$69,763,142 of governmental activities general obligation debt outstanding as of December 31, 2016. The County issued the General Obligation Bonds, Series 2016 in the amount of \$13,435,000. Of this, \$8,912,000 was to refund the 2013 Series B note. The remainder was to fund the 2016 Capital Project-Human Services Building.
- In 2016 the COUNTY began the renovation of the Human Services Building with plans to complete this project in 2017. When complete the COUNTY will have moved Adult/Juvenile Probation, Children & Youth Services, Domestic Relations, Court Operations, two District Magistrate offices and IT to the newly renovated building. York-Adams MHIDD will round out the complement of departments in the Human Services Building.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This report consists of the following three parts:

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

Management's discussion and analysis is a guide to reading the financial statements and provides related information to help the reader to better understand the COUNTY'S government. The basic financial statements include notes that provide additional information essential to a full understanding of the financial data provided in the government-wide and fund financial statements. Required supplementary

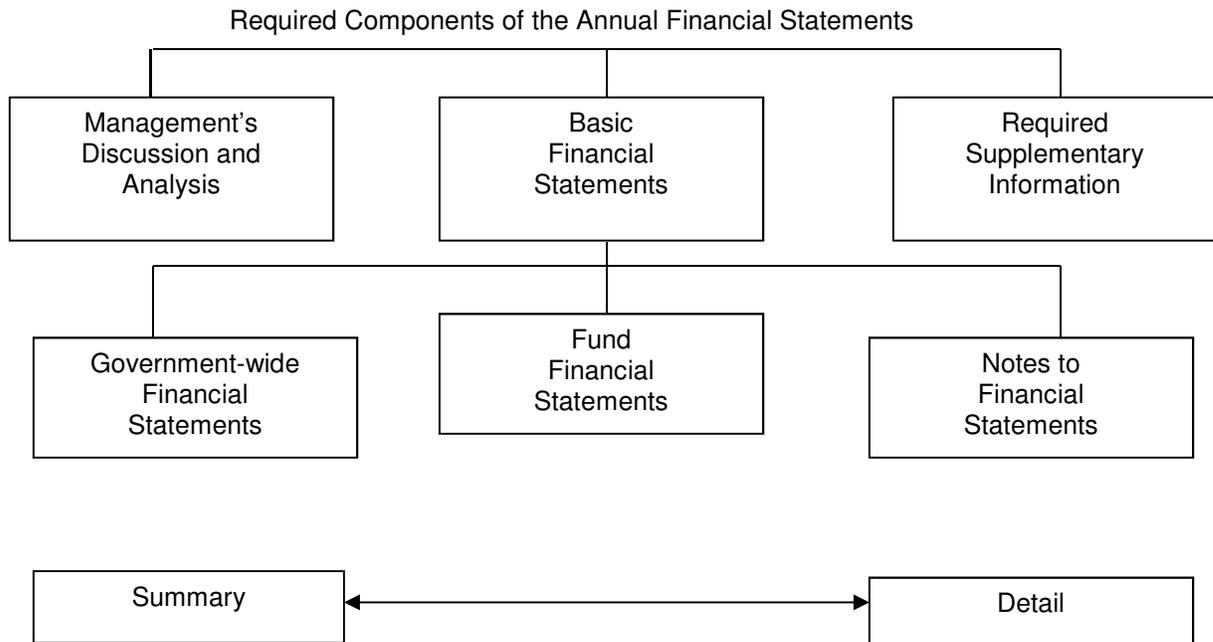
**MANAGEMENT’S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2016**

information is provided on the COUNTY’S budget to actual figures for the general fund and other budgeted major governmental funds.

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

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

**Table A-1: Organization of the COUNTY’S annual financial report**



**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2016**

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

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

	Government-wide Statements	Fund Financial Statements		
		Governmental	Proprietary	Fiduciary
Scope	Entire entity and component units (except fiduciary funds)	The day-to-day operating activities of the COUNTY, such as public safety and courts	The activities of the COUNTY, such as the Adams County Industrial Development Authority	Instances in which the COUNTY administers resources on behalf of others
Required Financial Statements	-Statement of net position  -Statement of activities	-Balance Sheet  -Statement of revenues, expenditures and changes in fund balance	-Statement of net position -Statement of revenues, expenses and changes in net position -Statement of cash flows	-Statement of fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources measurement focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset and liability information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources both financial and capital, short-term and long-term	Current assets and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources both financial and capital, short-term and long-term	All assets and liabilities
Type of inflow and outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year; regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2016**

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

**Government-wide financial statements**

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

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

All changes to net position are reported using the accrual method of accounting, which requires that revenues be reported when they are earned and expenses be reported when the goods and/or services are received, regardless of when cash is received or paid.

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

The primary government and its component units are included in the government-wide financial statements. Component units reflect the activities of legally separate government entities over which the COUNTY can exercise influence and/or be obligated to provide financial support. The COUNTY has two blended component units, the Adams County Industrial Development Authority and the Adams County Conservation District (See Note 1, Notes to the Financial Statements.)

There are two categories of activities for the primary government:

- *Governmental activities* include the COUNTY'S basic services such as general government, judicial, public safety, public works, human services, culture and recreation, and conservation and development.
- *Business-type activities* such as the Adams County Industrial Development Authority.

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

Government wide statements are reported using an economic resources measurement focus and full accrual basis of accounting that involves the following steps to format the statement of net position:

- Capitalize current outlays for capital assets

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2016**

- Report long-term debt as a liability
- Depreciate capital assets and allocate the depreciation to the proper program/activities
- Calculate revenue and expense using the economic resources measurement focus and the accrual basis of accounting
- Allocate net position balances as follows:
  - Net Investment in capital assets
  - Restricted net position are those with constraints placed on the use by external sources (creditors, grantors, contributors, or laws or regulations of governments) or imposed by law through constitutional provisions or enabling legislation
  - Unrestricted net position are assets that do not meet any of the above restrictions

### **Fund Financial Statements**

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

The COUNTY has three kinds of funds:

- *Governmental funds* include most of the COUNTY'S basic services and focus on: (1) the flow in and out of cash and other financial assets that can readily be converted into cash, and: (2) the balances left at year-end that are available for spending. These funds are reported using the modified accrual accounting basis, and a current financial resources measurement focus. Consequently, the governmental funds statements provide a detailed short-term view for the financial resources available in the near future to finance the COUNTY'S programs.

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

The COUNTY adopts an annual budget for the general fund, as required by state law. A budgetary comparison of the COUNTY'S general fund and other budgeted major governmental funds is presented as required supplementary information.

- *Proprietary Funds* report business-type programs and activities that charge fees designed to recover the cost of providing services. The proprietary funds report using full accrual accounting. The COUNTY maintains two different types of proprietary funds; enterprise funds and internal service funds. Internal service funds are used to accumulate and allocate costs internally among the COUNTY'S various functions. The COUNTY uses an internal service fund to account for its Health Insurance program which is a self-insured model.
- *Fiduciary Funds* are for which the COUNTY is the trustee or fiduciary. These include certain agency funds, or clearing accounts for assets held by the COUNTY in its role as custodian until the funds are allocated to the private parties, organizations or government agencies to which they belong. The COUNTY is responsible to ensure the assets reported in these funds are used for their intended purposes. This fiduciary activity is reported in a separate statement of fiduciary net

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2016**

position. These funds are excluded from the COUNTY'S government-wide financial statements because the COUNTY cannot use these assets to finance its operations.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**Net Position**

GASB No. 34 requires that all capital assets, including infrastructure, be valued and reported within the governmental activities column of the government-wide financial statements, but allowed infrastructure to be added over several years. In 2007, the COUNTY fully adopted the provisions of GASB No. 34.

The COUNTY'S total assets were \$122,803,737 at December 31, 2016. Of this amount, \$81,889,431 was capital assets. Assets and deferred outflow of resources exceeded liabilities and deferred inflows of resources by \$37,960,524.

Fifty-three percent of the COUNTY'S net position reflects its investment in capital assets. Twenty-five percent of the COUNTY'S net position are legally restricted.

**County of Adams Net Position**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Capital Assets	\$ 81,889,431	\$ 81,686,876	\$ -	\$ -	\$ 81,889,431	\$ 81,686,876
Other Assets	39,140,230	29,765,552	1,774,076	2,869,922	40,914,306	32,635,474
Total Assets	<u>121,029,661</u>	<u>111,452,428</u>	<u>1,774,076</u>	<u>2,869,922</u>	<u>122,803,737</u>	<u>114,322,350</u>
Deferred Outflows of Resources	<u>11,569,006</u>	<u>7,725,037</u>	<u>-</u>	<u>-</u>	<u>11,569,006</u>	<u>7,725,037</u>
Current Liabilities	10,709,382	8,483,966	119,760	76,240	10,829,142	8,560,206
Long-term Liabilities	82,434,241	69,813,748	1,445,067	2,660,066	83,879,308	72,473,814
Total Liabilities	<u>93,143,623</u>	<u>78,297,714</u>	<u>1,564,827</u>	<u>2,736,306</u>	<u>94,708,450</u>	<u>81,034,020</u>
Deferred Inflows of Resources	<u>1,703,769</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,703,769</u>	<u>-</u>
Net Position:						
Net Investment in capital assets	20,099,187	25,031,724	-	-	20,099,187	25,031,724
Restricted	9,670,625	9,260,575	-	-	9,670,625	9,260,575
Unrestricted	<u>7,981,463</u>	<u>6,587,452</u>	<u>209,249</u>	<u>133,616</u>	<u>8,190,712</u>	<u>6,721,068</u>
Total Net Position	<u>\$ 37,751,275</u>	<u>\$ 40,879,751</u>	<u>\$ 209,249</u>	<u>\$ 133,616</u>	<u>\$ 37,960,524</u>	<u>\$ 41,013,367</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2016**

**Changes in Net Position**

The table below summarizes the changes in net position for the COUNTY for the period ended December 31, 2016 and 2015.

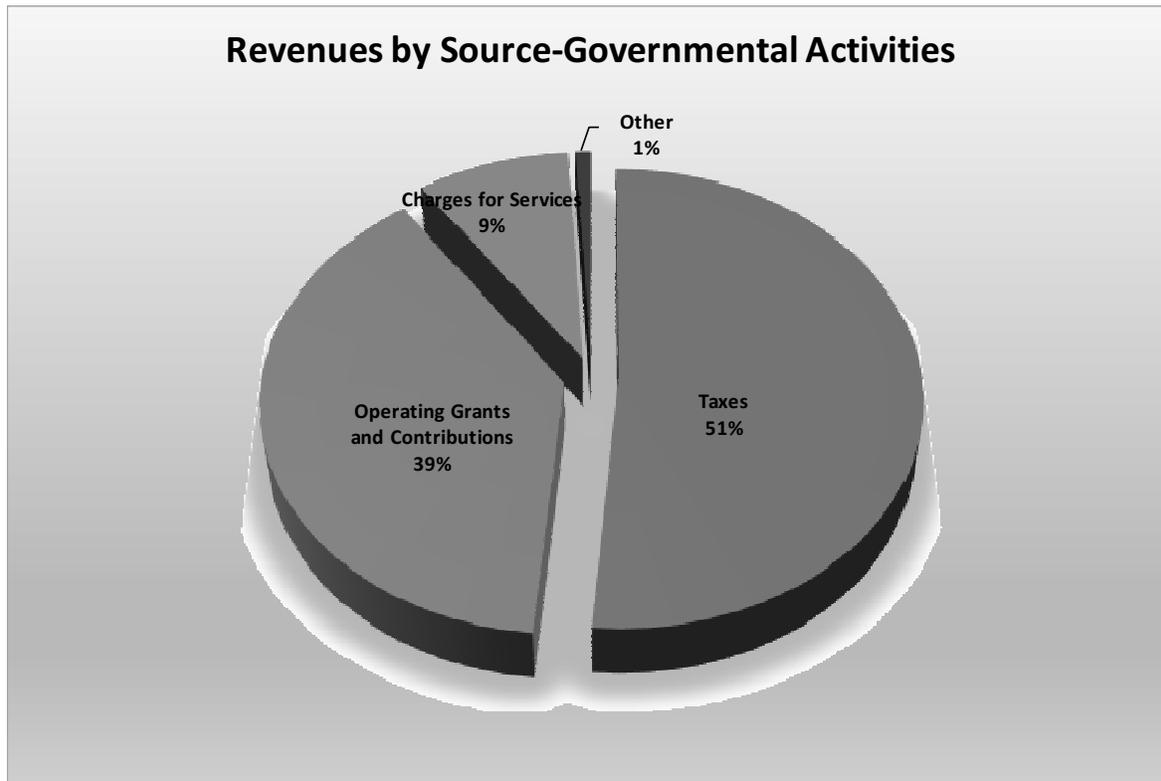
**County of Adams Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Program Revenues:</b>						
Charges for Services	\$ 6,750,400	\$ 7,437,194	\$ 56,603	\$ 591,384	\$ 6,807,003	\$ 8,028,578
Operating Grants and Contributions	29,410,209	25,380,451	-	934,366	29,410,209	26,314,817
Capital Grants and Contributions	-	-	-	-	-	-
<b>General Revenues:</b>						
Property Taxes	36,188,653	35,899,178	-	-	36,188,653	35,899,178
Per Capita Taxes	304,515	327,138	-	-	304,515	327,138
Hotel Taxes	2,509,580	2,339,744	-	-	2,509,580	2,339,744
Unrestricted Investment	-	-	-	-	-	-
Earnings/(Loss)	54,256	343,569	3,946	3,010	58,202	346,579
Project Support Income	-	-	163,446	57,000	163,446	57,000
Support Income	-	-	32,000	120,613	32,000	120,613
Transfers	-	(986,238)	-	986,238	-	-
Transfer of Capital Assets and Long Term Liabilities	-	2,466,020	-	(2,466,020)	-	-
Swap Proceeds	64,157	106,159	-	-	64,157	106,159
Miscellaneous	571,237	493,430	-	-	571,237	493,430
	<u>75,853,007</u>	<u>73,806,645</u>	<u>255,995</u>	<u>226,591</u>	<u>76,109,002</u>	<u>74,033,236</u>
<b>Expenses:</b>						
General Government-Administrative	9,369,291	12,045,260	-	-	9,369,291	12,045,260
General Government- Judicial	8,396,108	6,761,323	-	-	8,396,108	6,761,323
Public Safety	24,426,340	20,357,838	-	-	24,426,340	20,357,838
Public Works	352,043	344,130	-	-	352,043	344,130
Human Services	28,193,445	22,885,556	-	-	28,193,445	22,885,556
Culture and Recreation	2,716,703	2,301,074	-	-	2,716,703	2,301,074
Conservation and Development	2,784,425	2,008,787	-	-	2,784,425	2,008,787
Debt Service	2,743,128	2,608,915	-	-	2,743,128	2,608,915
Adams County IDA	-	-	180,362	1,758,934	180,362	1,758,934
	<u>78,981,483</u>	<u>69,312,883</u>	<u>180,362</u>	<u>1,758,934</u>	<u>79,161,845</u>	<u>71,071,817</u>
Change in Net Position	(3,128,476)	4,493,762	75,633	(1,532,343)	(3,052,843)	2,961,419
Net Position-Beginning	<u>40,879,751</u>	<u>36,385,989</u>	<u>133,616</u>	<u>1,665,959</u>	<u>41,013,367</u>	<u>38,051,948</u>
Net Position-End of the Year	<u>\$ 37,751,275</u>	<u>\$ 40,879,751</u>	<u>\$ 209,249</u>	<u>\$ 133,616</u>	<u>\$ 37,960,524</u>	<u>\$ 41,013,367</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2016**

**Governmental activities**

The following chart illustrates the sources of revenues for governmental activities for the fiscal year ended December 31, 2016.



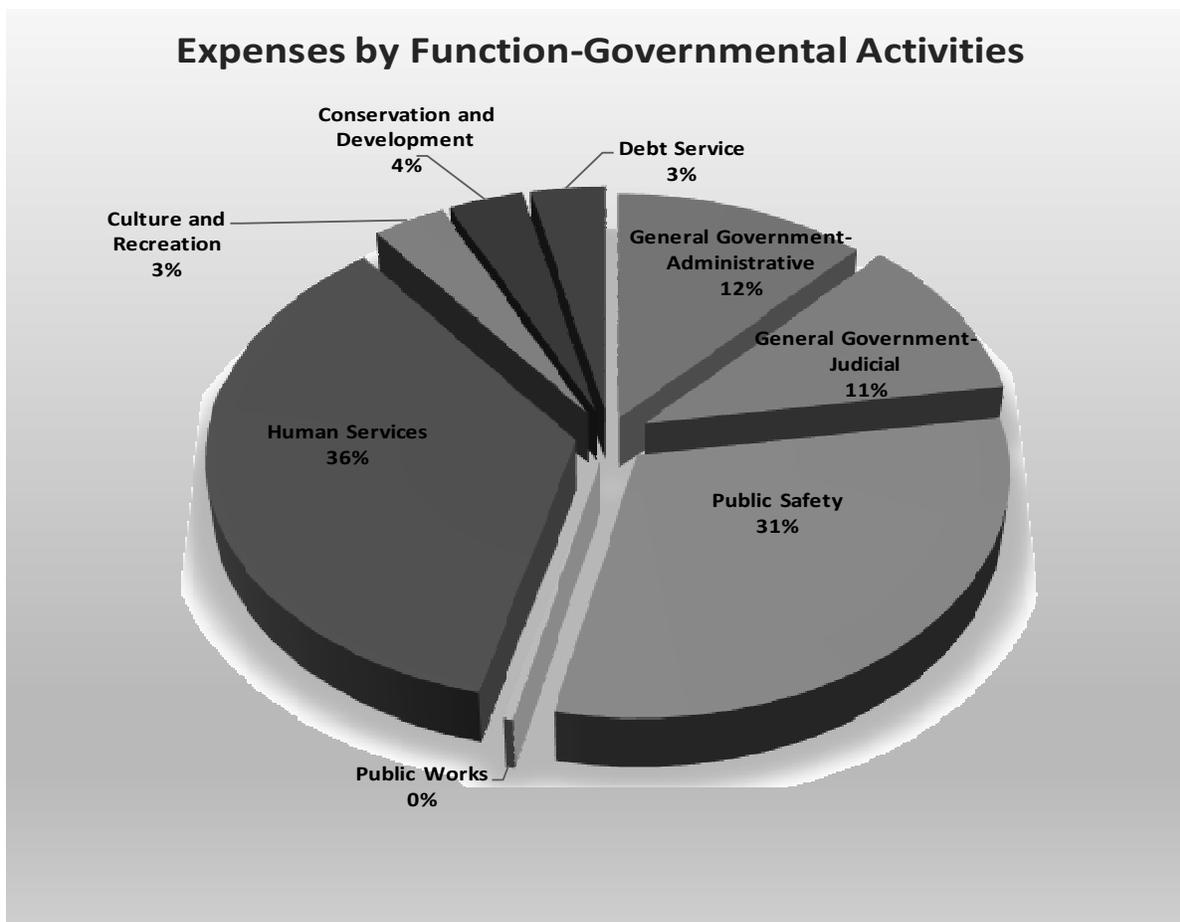
Taxes contributed 51% of the total revenues received by the COUNTY. For 2016 the COUNTY received \$39,002,748 in total taxes. Tax rates remained the same in 2016.

Operating Grants and Contributions was the second largest source of revenue to the COUNTY at thirty-nine percent. Operating Grants and Contributions consist primarily of State and Federal funding. The COUNTY saw a 16% increase in this source of revenue mostly due to an increase in funding in Human Services for our Managed Care Program and Children Services.

Charges for services, 9% of governmental activities funding sources, saw a decrease from the prior year. This decrease was mostly due to a decrease in General Government administrative and Public Safety revenues. Charges for services include fees, fines, licenses, permits, and commissions on certain fees collected by County row offices on behalf of the Commonwealth of Pennsylvania.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2016**

The following chart illustrates the expenses by function for governmental activities for the fiscal year ended December 31, 2016.



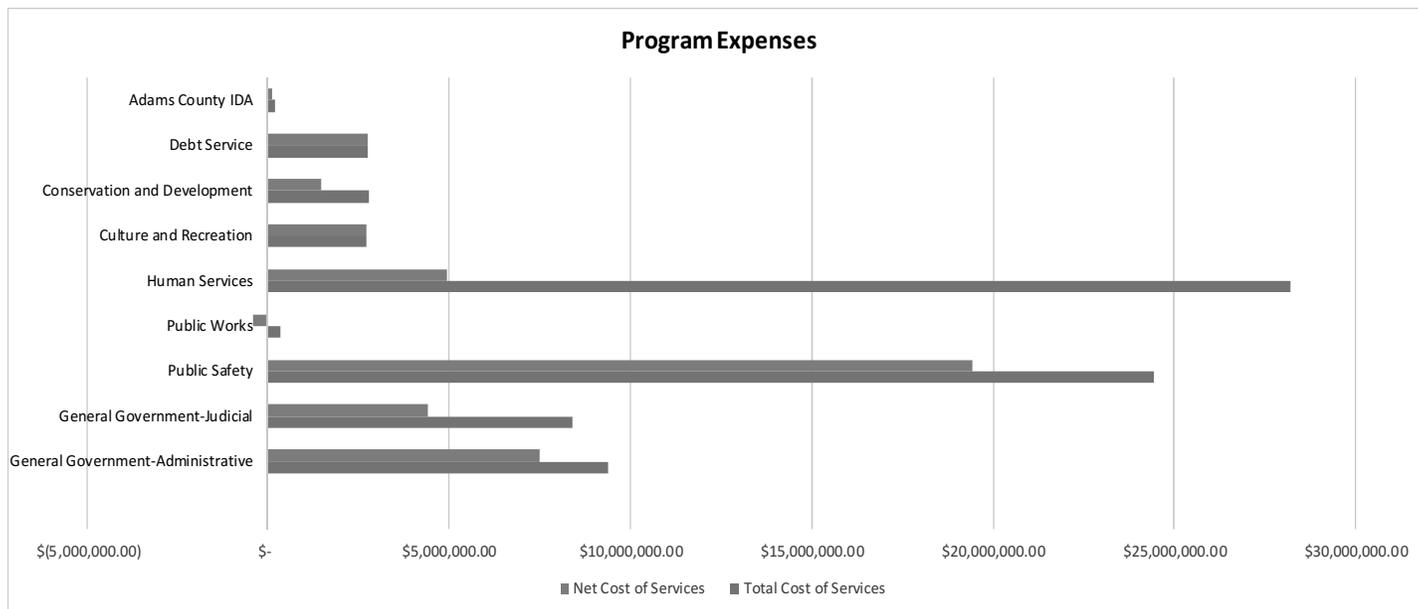
In 2016, total expenses for governmental activities were \$79 million. Human Services had the largest expense at \$28.2 million, up 23% from the prior year. This increase is primarily due to an increase in the York-Adams Managed Care Program for Health Choices. The Managed Care program is a Joinder agreement between York and Adams County and is considered pass through funding. Also contributing to the increase was Children Services and the new Human Services Building.

The second largest category is Public Safety at \$24.4 million. This is an increase of \$4.1 million primarily due to the completion of the Radio Project.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2016**

### Net Program Expenses

Net program expenses indicate the amount of support required from taxes and other general revenues for a program of the government. In 2016 property, hotel, and per capita taxes brought in \$39,002,748.



The COUNTY relied on property taxes and other general revenues to fund 54% of its governmental and business-type activities in 2016.

The property tax is based on one-hundred percent of the assessed value of real property. Changes in the assessed valuation affect tax revenues.

Eighty percent of the General Government Administrative expenses and 53% of the General Government Judicial expenses came from property tax and other general revenues with the remainder coming from grants, fines and court costs. Property taxes and other general revenues covered eighty percent of public safety costs with the remainder coming from grants and charges for services.

Public works expenses were primarily funded by The Commonwealth Liquid Fuels tax and reimbursements from Penn Dot for Bridge Improvements. Property taxes and general revenues covered 100 percent of the County's Debt Service payments.

Property tax and other general revenues funded 100 percent of the cost of culture and recreation; 17 percent of Human services; 53 percent of the County's contribution to Conservation and Development.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2016**

## **Funds Financial Analysis**

As noted earlier, the COUNTY uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### **Governmental Funds**

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

The COUNTY'S governmental funds include the general fund, special revenue funds, and capital project funds. The general fund is the chief operating fund for the COUNTY. Special revenue funds are restricted to specific legislated use. Capital project funds account for the proceeds of bond issues. The major funds are shown on the statement of revenues, expenditures and changes in fund balances in the financial statements.

The General Fund is the primary operating fund of the County of Adams. At the end of 2016, the unassigned fund balance of the General Fund was \$20,667,260 while the total fund balance was \$22,729,076. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 41% of total general fund expenditures while total fund balance represents 45% of that same amount.

The increase in Governmental Fund revenues and other financing sources from the prior year was \$20.4 million of which \$16.9 million came from debt proceeds due to a refunding of the 2013 Series B bond and new debt issued for the renovation of the Human Services Building. Intergovernmental revenues also showed an increase of \$4.3 million mainly due to an increase in funding received for the Managed Care program and the reclassification of 911 Surcharge revenue from charges for services. Likewise this reclassification decreased the charges for services from the prior year. Operating Transfers In decreased by \$1.6 million in 2016. A portion of this decrease is due to the decrease from 2015 in Other Governmental Funds transfers.

Governmental Fund expenditures and other financing uses totaled \$97 million. This is an increase of \$6.2 million from the prior year.

Human Services expenditures increased by approximately \$4.2 million or 18.6% mostly due to an increase in the York-Adams Managed Care Program for Health Choices. The Managed Care program is a Joinder agreement between York and Adams County and is considered pass through funding. Also contributing to the increase in Human Services was an increase in expenditures in Children Services.

Issuance of debt/refunding bonds increased by \$16.9 million due to the issuance of the General Obligation Bonds, Series of 2016. The County refunded the 2013 Series B bond and issued new debt to fund the Human Services Building Project.

Capital Outlay decreased by approximately \$5.5 million due primarily to the near completion of the 911 radio project in 2015 and capital items that were purchased in 2015 using the 2013 Series B drawdown.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2016**

## Capital Asset and Debt Administration

### Capital Assets

The COUNTY'S investment in capital assets at December 31, 2016, net of accumulated depreciation, was \$81,889,431. Capital assets consist primarily of land, infrastructure, buildings, agricultural easements, and equipment. The following is a summary of capital assets at December 31, 2016:

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

### Governmental Activities

	<u>2016</u>	<u>2015</u>
Land	\$ 1,071,712	\$ 1,071,712
Construction in Process	\$ 2,957,011	\$ 125,354
Infrastructure	\$ 7,486,218	\$ 7,486,218
Building and Improvements	\$ 56,811,540	\$ 56,483,611
Equipment and Vehicles	\$ 39,648,021	\$ 37,706,783
Agricultural Easements	\$ 10,685,755	\$ 10,685,755
Accumulated Depreciation	<u>\$(36,770,826)</u>	<u>\$(31,872,557)</u>
Total Net Capital Assets	<u>\$ 81,889,431</u>	<u>\$ 81,686,876</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2016**

**Debt Administration**

At December 31, 2016, the COUNTY had \$70,366,890 of debt outstanding, excluding compensated absences. Debt increased 11% from the previous year. This is due to the issuance of the 2016 GO Bond to refund the 2013 Notes and to fund the Human Services Building Project. The following is a summary of general obligation bonds, notes, and other liabilities for the 2016 year, this includes the Adams County Industrial Authority, a blended component unit:

	<b><u>Beginning</u></b> <b><u>Balance</u></b>	<b><u>Additions</u></b>	<b><u>Reductions</u></b>	<b><u>Ending</u></b> <b><u>Balance</u></b>
<u>Governmental Activities:</u>				
Bonds and Note Payable:				
General obligation bonded debt	\$ 61,681,722	\$ 19,708,278	\$ 11,626,858	\$ 69,763,142
Plus: Bond Premium	885,688	883,714	51,012	1,718,390
Total Bonds and Note Payable:	<u>62,567,410</u>	<u>20,591,992</u>	<u>11,677,870</u>	<u>71,481,532</u>
Other Long Term Liabilities:				
Compensated absences	1,100,287	75,019	-	1,175,305
Total Other Liabilities	<u>1,100,287</u>	<u>75,019</u>	<u>-</u>	<u>1,175,305</u>
Governmental Activities:				
Long-Term Liabilities	<u>\$ 63,667,697</u>	<u>\$ 20,667,011</u>	<u>\$ 11,677,870</u>	<u>\$ 72,656,838</u>
<u>Business-Type Activities:</u>				
Bonds Payable:				
General Obligation bonded debt	\$ 1,634,026	\$ -	\$ 1,030,278	\$ 603,748
Total Bonds Payable	<u>1,634,026</u>	<u>-</u>	<u>1,030,278</u>	<u>603,748</u>
Business-Type Activities				
Long-Term Liabilities	<u>\$ 1,634,026</u>	<u>\$ -</u>	<u>\$ 1,030,278</u>	<u>\$ 603,748</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2016**

**General Fund Budgetary Highlights**

In general the budget modifications during the year are primarily reclassifications from one line item to another as approved by the Board of Commissioners. The County budgets their tax revenue at a 96% collection rate and during 2016 they collected less than the budgeted amount.

General Fund revenues resulted in a positive variance of almost \$1 million primarily due to an increase in charges for services, court costs and fines, licenses and permits and one-time revenues for unexpected dividends received by the County as members of PComp and PCoRP.

General Government-Administrative expenditures were approximately 7% less than the budgeted amount for 2016 while General Government-Judicial expenditures were 10% more than the budgeted amount. Overall General Fund expenditures were 14% under the budgeted amount.

Debt Service contributes to the total increase over budget for total expenditures due to the General Obligation Bonds, Series 2016 issued to current refund the General Obligation Note, Series B of 2013 which also financed various capital projects.

**Economic Conditions**

Specific key economic factors affecting the County include the following:

- Its ability to bring in new employers and keep the young professionals working and living here.
- Building a stronger broadband infrastructure to attract businesses.
- Continuing to provide necessary human services within a fiscally constrained economy.

**In General**

Tourism in Adams County remained strong in 2016, however dropped slightly from 2015. Tourism generated \$2.5 million in lodging tax for 2016 and employed more than 7,500.

The Adams County Office of Planning and Development is currently drafting a county-wide Economic Development Plan. Throughout the development of the plan, ACOPD has examined many data sources to determine the existing conditions of Adams County's economic landscape.

*Population:* Adams County's total population in 2015 was 102,295 (Source: U.S. Census Bureau 2015 Population Estimates). Between 2000 and 2010 Adams County's population grew by 11.1%. This growth rate was competitive with adjacent counties. Since 2010 the growth rate of Adams County has decreased substantially, however besides Cumberland County, all counties adjacent to Adams County experienced similar decreases in the rate of population change (Source: U.S. Census Bureau Decennial Census).

*Unemployment:* Adams County's unemployment rate is low, with minority populations more likely to be unemployed. As of December 2016, Adams County has an unemployment rate of 3.6%, which is average compared to nearby counties and a 1% decrease from 2014 (Source: U.S. Bureau of Labor Statistics).

*Income:* Adams County has a competitive median household income, but wage rates are low compared to other counties in the region. Household income describes the average amount earned per-household, thereby including all residents of a household which are generating income. Average annual wage describes the average amount each individual person earns working within a specific county. In 2015, Adams County's Median Household Income measured at \$60,356, up 41.3 % from \$42,704 in 2000 (Source: U.S. Census Bureau 2015 ACS 5-Year Estimates). Adams County's median household income ranks fourth among the comparison region. The average annual wages, or the average wage received by a paid employee within the corresponding county, show a different trend. Adams County had an average annual wage of \$38,749 in 2015, the lowest in comparison to nearby counties (Source: U.S. Bureau of Labor Statistics Quarterly Census of Employment and Wages). A competitive median household income

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2016**

coupled with a low average annual wage suggests a substantial portion of residents are commuting out of Adams County for higher paying jobs.

*Commuting Patterns:* 35.9% of workers living in Adams County are employed within the county, while 64.1% are employed outside of the county (Source: U.S. Census Bureau Longitudinal Employer-Household Dynamics Program). Compared to other counties in the region, we have a higher percentage of workers traveling to other counties for work.

*Labor Force and Industry Types:* Adams County has a labor force of 55,900 people (Source: Pennsylvania Department of Labor & Industry). Manufacturing employs 5,462 or 19.5% of Adams County workers, the highest percentage of employees by industry in the county. The Accommodation and Food Service, Healthcare and Social Assistance, and Retail Trade industries are also large employers in Adams County, although these percentages fall below State averages. The most prevalent industry types in Adams County are generally comparable to nearby counties. However, the Accommodation and Food Service industry employs a much higher percentage of employees than the rest of the region. This is attributed to the prevalence of tourism in Adams County. The top employers in Adams County are Knouse Foods, Gettysburg College, Liberty Mountain Resort, The Gettysburg Hospital, Brethren Home Community, Clarks, Hain Pure Protein, Adams County, Tim-Bar and the Conewago Valley School District.

*Economic Studies:* In 2012, Adams County had a total of 133 farms and 14,745 acres devoted to the production of fruit. Most of these farms are located within a region of Adams County commonly referred to as the Fruitbelt. The Adams County Fruitbelt is a region in northern Adams County that contains a unique combination of soils, slopes, and micro-climate that has been recognized as prime land for orchards. A study requested by The Adams County Office of Planning and Development and conducted in 2016 by The Chesapeake Group determined that the Adams County Fruitbelt contributes around \$580 million to the county's economy annually. 120 Adams County farms produced apples on 12,039 acres, while 76 farms produced peaches on 2,034 acres. Adams County's apple production accounts for 70% of Pennsylvania's total crop yield and is ranked 1<sup>st</sup> in the state in the production of fruits and nuts as well as horses, ponies, mules, burros, and donkeys. Historically, the Fruitbelt region grew fruit predominately for processing purposes. Recently, however, the direct economic impact of production of non-processed fruit exceeded the impact of fruit grown for processing. It is estimated that the production of fresh fruit for local and retail use will grow by 24% over the next ten years

### **Market Impact on Investment Income**

As in previous years, Adams County continues to invest, although the interest rates have not improved much. Most of the COUNTY'S investment income is generated by the investment of the COUNTY'S reserve funds. During 2016 the County received \$64,157 from their 2005 Basis Swap arrangement with Wachovia. This is a decrease from 2015 of \$42,002 and year to date the County has netted \$648,274. See note 12 in the financial statements.

### **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

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

COUNTY of Adams  
Steven W. Renner  
Controller  
117 Baltimore Street  
Gettysburg, PA 17325

Phone: 717-337-9805  
Fax: 717-334-2091

COUNTY OF ADAMS  
STATEMENT OF NET POSITION  
DECEMBER 31, 2016

	Primary Government		
	Governmental Activities	Business-type Activity	Total
<u>Assets</u>			
Cash and Cash Equivalents	\$ 20,619,550	\$ 31,003	\$ 20,650,553
Investments	7,511,659	-	7,511,659
Receivables (Net, Where Applicable, of Allowance for Uncollectibles)			
Accounts	1,048,018	7,727	1,055,745
Taxes	1,479,949	-	1,479,949
Notes Receivable	230,988	43,929	274,917
Loans Receivable	947,434	-	947,434
Due From Other Governments	1,947,558	36,505	1,984,063
Other Assets	428,844	927	429,771
Restricted Assets			
Cash for Program Purposes	19,114	-	19,114
Cash Held in Escrow	451,133	-	451,133
Cash for Debt Service	1,094,701	-	1,094,701
Cash for Construction	3,361,282	-	3,361,282
Land Held For Resale	-	1,653,985	1,653,985
Capital Assets, Not Being Depreciated	14,714,478	-	14,714,478
Capital Assets Being Depreciated, Net	67,174,953	-	67,174,953
<b>Total Assets</b>	<b>121,029,661</b>	<b>1,774,076</b>	<b>122,803,737</b>
<u>Deferred Outflows of Resources</u>			
Deferred Loss on Refunding	5,527,322	-	5,527,322
Pensions	6,041,684	-	6,041,684
<b>Total Deferred Outflows of Resources</b>	<b>11,569,006</b>	<b>-</b>	<b>11,569,006</b>
<u>Liabilities</u>			
Liabilities			
Accounts Payable	5,993,514	238	5,993,752
Accrued Liabilities	515,670	11,505	527,175
Accrued Interest Payable	281,959	-	281,959
Unearned Revenues	480,743	-	480,743
Funds Held in Escrow	451,133	-	451,133
Long Term Liabilities:			
Due within one year			
General Obligation Debt	2,986,363	108,017	3,094,380
Due in more than one year			
General Obligation Debt	68,495,169	495,731	68,990,900
Accrued Compensated Absences	1,175,306	-	1,175,306
Upfront Payment (Borrowing)	760,352	-	760,352
Swap Liability (Borrowing)	5,522,755	-	5,522,755
Due to Related Party - Long Term	-	949,336	949,336
Net Pension Liability	6,102,514	-	6,102,514
Unfunded Other Postemployment Benefits	378,145	-	378,145
<b>Total Liabilities</b>	<b>93,143,623</b>	<b>1,564,827</b>	<b>94,708,450</b>
<u>Deferred Inflows of Resources</u>			
Accumulated increase in fair value of hedging derivative	248,261	-	248,261
Pensions	1,455,508	-	1,455,508
<b>Total Deferred Inflows of Resources</b>	<b>1,703,769</b>	<b>-</b>	<b>1,703,769</b>
<u>Net Position</u>			
Net Position			
Net Investment in Capital Assets	20,099,187	-	20,099,187
Restricted	9,670,625	-	9,670,625
Unrestricted	7,981,463	209,249	8,190,712
<b>Total Net Position</b>	<b>\$ 37,751,275</b>	<b>\$ 209,249</b>	<b>\$ 37,960,524</b>

COUNTY OF ADAMS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2016

Functions/Programs	Expenses	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
		Indirect Expenses Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
						Governmental Activities	Business-type Activities	Total
<b>Primary government:</b>								
<b>Governmental activities:</b>								
General Government - Admin	\$ 12,399,190	\$ (3,029,899)	\$ 1,649,054	\$ 205,917	\$ -	\$ (7,514,320)		\$ (7,514,320)
General Government - Judicial	7,050,285	1,345,823	2,108,530	1,864,306	-	(4,423,272)		(4,423,272)
Public Safety	23,115,916	1,310,424	2,559,984	2,428,007	-	(19,438,349)		(19,438,349)
Public Works	330,304	21,739	-	757,158	-	405,115		405,115
Human Services	27,948,817	244,628	205,015	23,067,337	-	(4,921,093)		(4,921,093)
Culture and Recreation	2,716,703	-	-	-	-	(2,716,703)		(2,716,703)
Conservation and Development	2,677,140	107,285	227,817	1,087,484	-	(1,469,124)		(1,469,124)
Interest on Debt Service	2,743,128	-	-	-	-	(2,743,128)		(2,743,128)
Total governmental activities	78,981,483	-	6,750,400	29,410,209	-	(42,820,874)		(42,820,874)
<b>Business-type activity:</b>								
Economic Development	180,362	-	56,603	-	-	-	\$ (123,759)	(123,759)
Total business-type activities	180,362	-	56,603	-	-	-	(123,759)	(123,759)
<b>Total Primary government</b>	<b>\$ 79,161,845</b>	<b>\$ -</b>	<b>\$ 6,807,003</b>	<b>\$ 29,410,209</b>	<b>\$ -</b>	<b>(42,820,874)</b>	<b>(123,759)</b>	<b>(42,944,633)</b>
<b>General revenues:</b>								
<b>Taxes:</b>								
Property taxes, levied for general purposes						36,188,653	-	36,188,653
Per capita taxes						304,515	-	304,515
Hotel taxes						2,509,580	-	2,509,580
Unrestricted investment earnings						54,256	3,946	58,202
Miscellaneous						571,237	-	571,237
Project Support Income						-	163,446	163,446
Support Income						-	32,000	32,000
Swap Proceeds						64,157	-	64,157
Total general revenues and transfers						39,692,398	199,392	39,891,790
Change in net position						(3,128,476)	75,633	(3,052,843)
Net position - beginning						40,879,751	133,616	41,013,367
Net position - ending						\$ 37,751,275	\$ 209,249	\$ 37,960,524

COUNTY OF ADAMS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2016

<u>Assets</u>	<u>General</u>	<u>Children &amp; Youth</u>	<u>Managed Care</u>	<u>911 Fund</u>	<u>911 Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and Cash Equivalents	\$ 10,358,485	\$ 847	\$ -	\$ 60	\$ -	\$ 9,875,870	\$ 20,235,262
Investments	6,007,000	-	-	-	-	1,135,628	7,142,628
Receivables							
Accounts, net	919,643	6,220	-	-	-	122,135	1,047,998
Taxes	1,479,949	-	-	-	-	-	1,479,949
Notes Receivable	-	-	-	-	-	230,988	230,988
Loans Receivable	905,295	-	-	-	-	947,434	1,852,729
Due From Other Funds	12,263,636	3,653,953	-	3,884,240	-	55,800	19,857,629
Due From Other Governments	460,477	458,432	-	500,805	-	527,844	1,947,558
Other Assets	61,820	48,328	-	23,018	-	5,831	138,997
Restricted Assets							
Cash Held in Escrow	451,133	-	-	-	-	-	451,133
Cash for Debt Service	1,094,701	-	-	-	-	-	1,094,701
Cash for Program Purposes	19,114	-	-	-	-	-	19,114
Cash for Construction	-	-	-	-	-	3,361,282	3,361,282
<b>Total Assets</b>	<b>\$ 34,021,253</b>	<b>\$ 4,167,780</b>	<b>\$ -</b>	<b>\$ 4,408,123</b>	<b>\$ -</b>	<b>\$ 16,262,812</b>	<b>\$ 58,859,968</b>

The accompanying notes are an integral part of the financial statements

COUNTY OF ADAMS  
BALANCE SHEET (CONTINUED)  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2016

Liabilities and <u>Fund Balances</u>	<u>General</u>	Children & <u>Youth</u>	Managed <u>Care</u>	911 <u>Fund</u>	911 Capital <u>Projects Fund</u>	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Liabilities							
Accounts Payable	\$ 998,474	\$ 682,004	\$ -	\$ 577,636	\$ -	\$ 2,200,319	\$ 4,458,433
Accrued Liabilities	453,432	38,274	-	22,988	-	976	515,670
Unearned Revenue - Other	84,972	847	-	-	-	385,417	471,236
Due to Other Funds	8,281,738	3,446,655	-	3,807,499	4,417,797	577,727	20,531,416
Funds Held in Escrow	451,133	-	-	-	-	-	451,133
Total Liabilities	10,269,749	4,167,780	-	4,408,123	4,417,797	3,164,439	26,427,888
Deferred Inflow of Resources							
Unavailable Revenue - Property Taxes	1,022,428	-	-	-	-	-	1,022,428
Total Deferred Inflows of Resources	1,022,428	-	-	-	-	-	1,022,428
Fund Balances							
Fund Balances							
Nonspendable	967,115	-	-	-	-	1,007,514	1,974,629
Committed	-	-	-	-	-	301,601	301,601
Restricted	1,094,701	-	-	-	-	11,937,206	13,031,907
Assigned	-	-	-	-	-	-	-
Unassigned	20,667,260	-	-	-	(4,417,797)	(147,948)	16,101,515
Total Fund Balances	22,729,076	-	-	-	(4,417,797)	13,098,373	31,409,652
Total Liabilities and Fund Balances	\$ 34,021,253	\$ 4,167,780	\$ -	\$ 4,408,123	\$ -	\$ 16,262,812	\$ 58,859,968

COUNTY OF ADAMS  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET POSITION  
 DECEMBER 31, 2016

Total fund balances for governmental funds \$ 31,409,652

Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Those assets consist of:

Land	1,071,712	
Construction in Progress	2,957,011	
Agricultural Easements	10,685,755	
Infrastructure, net of \$3,872,768 accumulated depreciation	3,613,450	
Buildings and improvements, net of \$20,140,711 accumulated depreciation	36,670,829	
Equipment and vehicles, net of \$12,757,347 accumulated depreciation	26,890,674	
<b>Total Capital Assets</b>	<b>81,889,431</b>	<b>81,889,431</b>

Some of the County's taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred inflows of resources in the funds. 1,022,428

Net deficit of the Internal Service Fund is included in governmental activities since they primarily benefit the County's governmental activities (1,350,202)

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

Balances at December 31, 2016 are:

Accrued interest on bonds	(281,959)	
General obligation debt	(69,763,142)	
Compensated absences	(1,175,306)	
Deferred loss on refunding	5,527,322	
Deferred Outflow of Resources - Pensions	6,041,684	
Other Asset - Fixed Pay Swap	248,261	
Deferred Inflows of Resources - Pensions	(1,455,508)	
Deferred Inflows of Resources - Swap	(248,261)	
Upfront Payment	(760,352)	
Swap Liability (borrowing)	(5,522,755)	
Investment Derivative	369,031	
Liability for Other Postemployment Benefits	(378,145)	
Net Pension Liability	(6,102,514)	
Bond Premium	(1,718,390)	
	<b>(75,220,034)</b>	<b>(75,220,034)</b>

Total net position of governmental activities **\$ 37,751,275**

COUNTY OF ADAMS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (DEFICIT)  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>General</u>	<u>Children &amp; Youth</u>	<u>Managed Care</u>	<u>911 Fund</u>	<u>911 Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues							
Taxes	\$ 36,385,654	\$ -	\$ -	\$ -	\$ -	\$ 2,509,580	\$ 38,895,234
Intergovernmental Revenues	1,828,083	6,535,884	16,261,265	2,012,419	-	2,772,558	29,410,209
Charges for Services	4,951,175	-	-	27,270	-	939,486	5,917,931
Interest and Rents	116,355	199	-	166	-	298,213	414,933
License and Permits	138,165	-	-	-	-	0	138,165
Court Costs and Fines	694,304	-	-	-	-	0	694,304
Miscellaneous	411,586	74,451	-	-	46,138	39,062	571,237
<b>Total Revenues</b>	<b>44,525,322</b>	<b>6,610,534</b>	<b>16,261,265</b>	<b>2,039,855</b>	<b>46,138</b>	<b>6,558,899</b>	<b>76,042,013</b>
Expenditures							
Current:							
General Government - Administrative	11,009,127	-	-	-	-	361,553	11,370,680
General Government - Judicial	6,637,011	-	-	-	-	127,236	6,764,247
Public Safety	15,426,727	-	-	2,597,021	-	239,761	18,263,509
Public Works	-	-	-	-	-	190,348	190,348
Human Services	1,831,278	8,288,582	16,261,265	-	-	553,925	26,935,050
Culture and Recreation	721,675	-	-	-	-	1,804,015	2,525,690
Conservation and Development	602,631	-	-	-	-	1,978,013	2,580,644
Debt Service							
Principal	11,617,000	-	-	-	-	9,858	11,626,858
Interest	2,589,196	-	-	-	-	5,361	2,594,557
Capital Outlay	-	-	-	314,520	1,144,029	3,645,660	5,104,209
<b>Total Expenditures</b>	<b>50,434,645</b>	<b>8,288,582</b>	<b>16,261,265</b>	<b>2,911,541</b>	<b>1,144,029</b>	<b>8,915,730</b>	<b>87,955,792</b>
Excess of Revenues Over (Under) Expenditures	(5,909,323)	(1,678,048)	-	(871,686)	(1,097,891)	(2,356,831)	(11,913,779)
Other Financing Sources (Uses)							
Operating Transfer In	1,000,871	1,678,048	-	822,385	4,172,652	701,213	8,375,169
Operating Transfer (Out)	(3,763,625)	-	-	-	-	(5,300,813)	(9,064,438)
Issuance of debt	-	-	-	-	-	10,796,279	10,796,279
Issuance of refunding bonds	8,131,395	-	-	-	-	780,605	8,912,000
Swap Proceeds	64,157	-	-	-	-	-	64,157
Bond Premium	883,714	-	-	-	-	-	883,714
<b>Total Other Financing Sources(Uses)</b>	<b>6,316,512</b>	<b>1,678,048</b>	<b>-</b>	<b>822,385</b>	<b>4,172,652</b>	<b>6,977,284</b>	<b>19,966,881</b>
Net change in fund balances	407,189	-	-	(49,301)	3,074,761	4,620,453	8,053,102
Fund Balances - Beginning of Year (Deficit)	22,321,887	-	-	49,301	(7,492,558)	8,477,920	23,356,550
Fund Balances - End of Year (Deficit)	\$ 22,729,076	\$ -	\$ -	\$ -	\$ (4,417,797)	\$ 13,098,373	\$ 31,409,652

The accompanying notes are in integral part of the financial statements

COUNTY OF ADAMS  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED DECEMBER 31, 2016

Net change in fund balances (deficit) - total governmental funds \$ 8,053,102

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$5,104,209) exceeded depreciation expense(\$4,901,269) and loss on disposal of capital assets of (\$385). 202,555

Debt proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.

Issuance of debt and refunding bonds	(19,708,279)	
Principal repayments:	<u>11,626,858</u>	
Net Adjustment:		(8,081,421)

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

Compensated absences	(75,019)	
Liability for Other Postemployment Benefits	(65,157)	
Accrued interest on bonds	(125,197)	
Investment Loss from Derivative Instrument	(402,300)	
Amortization of Swap Liabilities	352,174	
Amortization of Deferred Loss	(384,936)	
Pension Expense	(1,060,256)	
Bond Premium	<u>(832,702)</u>	
Combined Adjustment:		(2,593,393)

Change in the net deficit of the Internal Service Fund is included in governmental activities since it primarily benefits the County's governmental activities (816,833)

Under the modified accrual basis of accounting used in governmental funds, revenues are not reported until they become available. In the statement of activities, however, revenues are recorded regardless of when financial resources are available. This is the change in unearned real estate tax revenue from 12/31/15 to 12/31/16. 107,514

Change in net position of governmental activities \$ (3,128,476)

COUNTY OF ADAMS  
STATEMENT OF FUND NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2016

	Business-Type Fund		Internal Service Fund
	Adams County		
	IDA	Total	
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 31,003	\$ 31,003	\$ 384,288
Accounts Receivable	7,727	7,727	20
Due from Other Government	36,505	36,505	-
Notes Receivable	3,162	3,162	-
Due from Other Funds	-	-	710,826
Other Assets	927	927	41,586
Total current assets	<u>79,324</u>	<u>79,324</u>	<u>1,136,720</u>
Notes Receivable - Long Term	40,767	40,767	-
Land Held for Resale	1,653,985	1,653,985	-
Total noncurrent assets	<u>1,694,752</u>	<u>1,694,752</u>	<u>-</u>
Total assets	<u>1,774,076</u>	<u>1,774,076</u>	<u>1,136,720</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts Payable	238	238	1,535,081
Accrued Liabilities	11,505	11,505	-
Unearned Revenue - Other	-	-	9,507
Due to Other Funds	-	-	37,039
Loan Payable	-	-	905,295
Current Portion of Long Term Debt	108,017	108,017	-
Total current liabilities	<u>119,760</u>	<u>119,760</u>	<u>2,486,922</u>
Noncurrent liabilities:			
Due to Related Party - Long Term	949,336	949,336	-
Noncurrent Portion of Long Term Debt	495,731	495,731	-
Total noncurrent liabilities	<u>1,445,067</u>	<u>1,445,067</u>	<u>-</u>
Total liabilities	<u>1,564,827</u>	<u>1,564,827</u>	<u>2,486,922</u>
Net Position			
Unrestricted	<u>209,249</u>	<u>209,249</u>	<u>(1,350,202)</u>
Total Net Position	<u>\$ 209,249</u>	<u>\$ 209,249</u>	<u>\$ (1,350,202)</u>

COUNTY OF ADAMS  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET POSITION -  
PROPRIETARY FUNDS  
YEAR ENDED DECEMBER 31, 2016

	Business-Type Fund		Internal Service Fund
	Adams County		
	IDA	Total	
Operating Revenues			
Charges for Services	\$ 56,603	\$ 56,603	\$ 5,492,324
Total Operating Revenues	<u>56,603</u>	<u>56,603</u>	<u>5,492,324</u>
Operating Expenses			
Advertising	421	421	-
Insurance	2,218	2,218	-
Management Fees	64,500	64,500	-
Office Expense	361	361	-
Professional Fees	9,128	9,128	-
Rent	22,500	22,500	-
Self-Insurance Claims	-	-	7,052,460
Other Services and Charges	4,943	4,943	-
Total Operating Expenses	<u>104,071</u>	<u>104,071</u>	<u>7,052,460</u>
Operating Loss	<u>(47,468)</u>	<u>(47,468)</u>	<u>(1,560,136)</u>
Nonoperating Revenues (Expenses)			
Interest Income	3,946	3,946	719
Insurance Refunds	-	-	53,315
Support Income	32,000	32,000	-
Project Support Income	163,446	163,446	-
Interest Expense	(42,533)	(42,533)	-
Loss on Sale	(33,758)	(33,758)	-
Total Nonoperating Revenues	<u>123,101</u>	<u>123,101</u>	<u>54,034</u>
Gain/(Loss) Before Transfers	75,633	75,633	(1,506,102)
Transfers In	-	-	747,186
Transfers (Out)	-	-	(57,917)
Total Transfers	<u>-</u>	<u>-</u>	<u>689,269</u>
Change in Net Position	75,633	75,633	(816,833)
Net Position - Beginning of Year	<u>133,616</u>	<u>133,616</u>	<u>(533,369)</u>
Net Position - End of Year	<u>\$ 209,249</u>	<u>\$ 209,249</u>	<u>\$ (1,350,202)</u>

COUNTY OF ADAMS  
STATEMENT OF CASH FLOW  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2016

	Adams County IDA	Total	Internal Service Fund
Cash Flows From Operating Activities			
Receipts from Programs	\$ 49,111	\$ 49,111	\$ -
Receipts from Users	-	-	5,728,658
Payments for Self-Insurance Claims	-	-	(6,406,504)
Payments for Operating Expenses	(105,672)	(105,672)	-
Net Cash (Used In)/Provided By Operating Activities	(56,561)	(56,561)	(677,846)
Cash Flows from Noncapital Financing Activities			
Insurance Refunds	-	-	53,315
Operating Transfers In	-	-	747,186
Operating Transfers Out	-	-	(57,917)
Proceeds from Related Party	46,250	46,250	-
Net Cash Provided by Noncapital Financing Activities	46,250	46,250	742,584
Cash Flows from Capital and Related Financing Activities			
Proceeds from grant	909,366	909,366	-
Payment on Note Payable	(909,366)	(909,366)	-
Net Cash Provided By Capital and Related Financing Activities	-	-	-
Cash Flows from Investing Activities			
Payments on notes receivable	4,560	4,560	-
Interest	3,946	3,946	719
Net Cash Provided By Investing Activities	8,506	8,506	719
Net (Decrease)/Increase in Cash and Cash Equivalents	(1,805)	(1,805)	65,457
Cash and Cash Equivalents, Beginning of Year	32,808	32,808	318,831
Cash and Cash Equivalents, End of Year	\$ 31,003	\$ 31,003	\$ 384,288
Reconciliation of operating loss to net cash (used in)/ provided by operating activities	\$ (47,468)	\$ (47,468)	\$ (1,560,136)
Adjustments to Reconcile Operating Loss to Net Cash (Used in)/Provided by Operating Activities			
Change in assets and liabilities			
Account Receivable	(7,392)	(7,392)	73,944
Other Assets	-	-	(41,586)
Accounts Payable	(535)	(535)	609,654
Unearned Revenue	-	-	9,507
Assessment Fee for land settlement	(139)	(139)	-
Customer Deposits	(100)	(100)	-
Prepaid Expenses	(927)	(927)	-
Due from Other Funds	-	-	(710,826)
Due to Other Funds	-	-	36,302
Loan Payable	-	-	905,295
Net cash (used in)/provided by operating activities	\$ (56,561)	\$ (56,561)	\$ (677,846)
Noncash Transactions:			
Debt Principal and Interest Paid by Related Party	\$ 163,446	\$ 163,446	\$ -
Sale of Land:			
County debt reduced	(140,566)	(140,566)	-
Loss on sale of land	(33,758)	(33,758)	-
Assessment fees	139	139	-
Basis of land sold	174,185	174,185	-

The accompanying notes are an integral part of the financial statements

COUNTY OF ADAMS  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
DECEMBER 31, 2016

<u>Assets</u>	<u>Agency Funds</u>
Cash and Cash Equivalents	\$ 2,026,119
Total Assets	<u>\$ 2,026,119</u>
 <u>Liabilities</u>	
Liabilities	
Due to Other Governments	\$ 2,026,119
Total Liabilities	<u>\$ 2,026,119</u>

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

COUNTY OF ADAMS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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

The County of Adams (the "County") is a fifth Class County that was formed on March 26, 1804. The County operates under the direction of an elected Board of Commissioners and provides the following services: general administrative services, tax assessment and collections, judicial, public improvements, public safety, and human services. The accompanying financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units, as prescribed by the Governmental Accounting Standards Board (GASB).

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

A) Reporting Entity

The County follows the criteria promulgated by the Governmental Accounting Standards Board ("GASB") Statement No. 61 for purposes of determining the scope of its reporting entity. As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the County of Adams (the Primary Government) and its Component Units.

Blended Component Units

In conformity with accounting principles generally accepted in the United States of America, the financial statements of the Component Units discussed below have been included in the financial reporting entity as blended Component Units.

Adams County Industrial Development Authority ("the Authority"):

The Authority was incorporated on September 8, 1998 under the provisions of the Economic Development Financing Law Act of 1967 as amended in 1993. The Authority exists under the constitution and laws of the County of Adams and the Commonwealth of Pennsylvania. The Authority is organized for the purpose of acquiring, holding, constructing, improving, maintaining, owning, financing, and leasing either in the capacity of Lessor or Lessee, projects.

The Authority is included in the financial reporting entity because (1) the County appoints a voting majority of the governing board, (2) the County can impose its will on the Authority by significantly influencing program, projects, activities, and level of service performed by the Authority, and (3) the Authority's debt is currently being repaid with the County's resources.

In 2016, the Authority changed its year end from September 30 to December 31 and thus 15 months of activity is included in the County financial statements. A separate financial statement of the Authority can be obtained by contacting the Adam's County Commissioner's Office.

COUNTY OF ADAMS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016

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

A) Reporting Entity (Continued)

Blended Component Units (Continued)

Adams County Conservation District ("the District"):

The District was formed on November 14, 1947 under Pennsylvania Act 217. The mission of the District is to promote voluntary conservation and good stewardship of Adams County's natural resources. The District's vision is to be recognized, respected, and trusted as the conservation leader of Adams County, enabling the people to sustain, use, and conserve natural resources through the 21<sup>st</sup> century, thus maintaining a balance and harmony between a profitable agricultural economy and other land uses for a quality of life that everyone can enjoy.

The District is included in the financial reporting entity because (1) the County appoints a voting majority of the governing board, (2) the County can impose its will on the District by significantly influencing program, projects, activities, and level of service performed by the District, and (3) the District provides services almost entirely for the benefit of the County. In addition, the District's employees are considered employees of the County.

The District operates on a calendar year ending December 31. A separate financial statement of the District can be obtained by contacting the Adams County Commissioner's Office.

B) Related Organizations

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

Adams County Office of Aging  
Destination Gettysburg  
Adams County Economic Development Corp.  
Adams County Historical Society  
Adams County Library System  
Adams County Extension Association  
Adams County Housing Authority

COUNTY OF ADAMS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016

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

C) Joint Ventures

The County is a participant with York County in joint ventures that provide services to the constituents of all the participants. The County has no interest in the equity of these organizations and therefore these entities are not included in its financial reporting entity (condensed financial information relative to these entities is included in the notes herein):

Name of Organization	York/Adams Mental Health/ Intellectual and Developmental Disabilities	York/Adams Drug and Alcohol Program
Services Provided	Mental Health/ Intellectual and Developmental Disabilities	Drug and Alcohol Program
Adams County Board Representation	3 of 6	3 of 6
Fiscal Year	12/31/16	12/31/16
Total Assets	\$ 8,570,138	\$ 1,979,034
Equity	-	-
Operating Revenue	\$31,880,568	\$3,077,188
Net Income (Loss)	-	-
Adams County Contribution to Operations	\$ 198,243	\$ -

The above joint ventures are included in York County's Comprehensive Annual Financial Report and are available for inspection in the York County Controller's Office, Administrative Center, 28 East Market Street, York, Pennsylvania 17401.

D) Government-Wide and Fund Financial Statements

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

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

COUNTY OF ADAMS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016

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

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

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

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

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

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

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

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

COUNTY OF ADAMS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016

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

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

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

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

The County reports the following major governmental funds:

- The General Fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues of this fund are primarily derived from real estate taxes, state and federal grants, and fees for services. Many of the basic activities of the County are accounted for in this fund, including operation of general County government, boards, commissions, the court system and health and welfare services.
- The Children and Youth Fund is used to account for specific revenue sources related to the provisions of Children and Youth services that are restricted to expenditures for those specified purposes.
- The Managed Care Fund is used to account for specific revenue sources related to the provisions of the managed care program that are restricted to expenditures for those specified purposes.
- The 911 Fund is used to account for specific revenue sources related to the provisions of the 911 program that are restricted to emergency response communications expenditures of the County.
- The 911 Capital Projects Fund is used to account for financial resources used for acquisition of equipment and capital construction of major capital facilities for the 911 Fund.

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

COUNTY OF ADAMS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016

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

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

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

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

The County reports the following major proprietary funds:

- The Adams County Industrial Development Authority is organized for the purpose of acquiring, holding, constructing, improving, maintaining, owning, financing and leasing either in the capacity of lessor or lessee, projects.
- Internal Service Fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the County, or to other governments, on a cost reimbursement basis. The Internal Service Fund accounts for the cost of health benefits provided to employees of the County.

Additionally, the County reports the following fund type:

- The Agency Funds consist of restricted revenues of the various row offices of the County. The row office funds are in essence escrow funds maintained by the row offices for bails posted, funds held for sheriff's sales, realty transfer taxes held and owed to other governmental entities, and other funds reserved for disposition of legal action.

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

F) Assets, Liabilities, and Net Position or Fund Balances

1. Cash and Cash Equivalents

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 purchased to be cash equivalents.

COUNTY OF ADAMS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016

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

F) Assets, Liabilities, and Net Position or Fund Balances (Continued)

2. Receivables and Payables

• Interfund Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

3. Investments

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

4. Restricted Assets

Restricted Assets represent revenues set-aside for the liquidation of specific obligations, as detailed in Note 3.

5. Deferred Inflows/Outflows

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Under the accrual basis of accounting, the government wide statement of net position reports a deferred loss on refunding, net difference between projected and actual earnings on pension plan investments for pensions and contributions subsequent to the measurement date related to pensions as a deferred outflow of resources.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Under the modified accrual basis of accounting, the governmental funds report unavailable revenue from property taxes as a deferred inflow of resources. Under the accrual basis of accounting, the government wide statement of net position reports a hedging derivative instrument and a difference between expected and actual experience related to pensions as a deferred inflow of resources.

6. Capital Assets

Capital assets, which include property, plant and equipment and infrastructure assets (e.g. bridges), are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Capital assets with initial, individual costs that equal or exceed \$5,000 and have estimated useful lives of over one year are recorded as capital assets.

COUNTY OF ADAMS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016

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

F) Assets, Liabilities, and Net Position or Fund Balances (Continued)

6. Capital Assets (Continued)

Capital assets are recorded at historical costs or estimated historical costs if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation (See also Note 5).

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

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

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

<u>Asset</u>	<u>Years</u>
Infrastructure	40
Buildings and Improvements	20-40
Equipment and Vehicles	5-10

7. Allowance for Doubtful Accounts

Accounts receivable have been reported net of allowance for doubtful accounts. The County recorded an allowance for uncollectible taxes of \$1,192,482 as of December 31, 2016.

8. Compensated Absences

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

9. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of applicable bond premiums or discounts. Deferred loss on refundings are reported as deferred outflows of resources and amortized over the shorter term of the new or old debt.

COUNTY OF ADAMS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016

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

F) Assets, Liabilities, and Net Position or Fund Balances (Continued)

9. Long-Term Obligations (Continued)

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

10. Unearned Revenues

Revenues that are received but not earned are recorded as unearned revenues in the County's financial statements. In the County's governmental funds, unearned revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the County has a legal claim to the resources, the liability for unearned revenue is removed from the governmental funds' balance sheet and revenue is recognized.

11. Interfund Transactions

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

12. Fund Balances

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to the County is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable fund balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

COUNTY OF ADAMS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016

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

F) Assets, Liabilities, and Net Position or Fund Balances (Continued)

12. Fund Balances (Continued)

- Restricted fund balance – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Commissioners. These amounts cannot be used for any other purpose unless the Members of the Board removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed.
- Assigned fund balance – This classification includes amounts that are constrained by the County's intent to be used for a specific purpose but are neither restricted nor committed. The Board of Commissioners delegated this responsibility to the County Manager.
- Unassigned fund balance – This classification represents amounts that are available for any purpose.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance and lastly unassigned fund balance.

13. Net Position

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

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

COUNTY OF ADAMS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016

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

F) Assets, Liabilities, and Net Position or Fund Balances (Continued)

14. Pensions

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

15. Accounting Estimates

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

G) Budgets and Budgetary Accounting

Legal Requirements

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

County Budget Process

1. During the 3<sup>rd</sup> quarter each year the Finance Department prepares and distributes to all department directors budgetary worksheets. The worksheets are used as a tool for department directors to provide their projections for the current year and the next year. Also, worksheets allow for multi-year planning. The County utilizes Target Based budgeting for their new budget process.
2. The County Manager and Finance Director in conjunction with the Commissioners interview all department directors to discuss their budgets as submitted and allow them to substantiate projected revenues and expenditures.
3. The Finance Department assembles the preliminary projections of revenues and expenditures into a formal budget incorporating any revisions or adjustments resulting from the Commissioner's review.

COUNTY OF ADAMS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016

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

G) Budgets and Budgetary Accounting (Continued)

4. Public meetings are conducted on the proposed budget. The proposed budget is available for public inspection for 20 days prior to final adoption.
5. After the 20-day inspection period, but prior to December 31, the County Commissioners adopt the final budget by enacting an appropriate resolution.
6. Formal budgetary process is employed as a planning device. The adopted budget is on a basis consistent with GAAP. Budget amounts are as originally adopted, or as amended by the County Commissioners.

Level of Control

The County maintains budgeting control at the individual fund level.

Lapsing of Appropriations

Unexpended appropriations lapse at year-end.

Management Authority

During the course of the year, departmental needs may change, emergencies may occur, or additional revenue may arise. As a result, funds are transferred between line items of a department's budget or additional revenue may need to be budgeted for a specific project or grant. Adjustments to the budget are made on a line item basis during the year and approved by the County Commissioners.

H) Adoption of Governmental Accounting Standards Board Statements

The County adopted the provisions of GASB Statement No. 72, "*Fair Value Measurement and Application*." The adoption of this statement resulted in additional footnote disclosure.

The County adopted the provisions of GASB Statement 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 adoption of this statement had no effect on previously reported amounts.

The County adopted the provisions of GASB Statement No. 76, "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*." The adoption of this statement had no effect on previously reported amounts.

The County adopted the provisions of GASB Statement No. 77, "*Tax Abatement Disclosures*." The adoption of this statement had no effect on previously reported amounts.

COUNTY OF ADAMS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016

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

H) Adoption of Governmental Accounting Standards Board Statements (Continued)

The County adopted the provisions of GASB issued Statement No. 78, "*Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*". The adoption of this statement had no effect on previously reported amounts.

The County adopted the provisions of GASB issued Statement No. 79, "*Certain External Investment Pools and Pool Participants*". The adoption of this statement had no effect on previously reported amounts.

I) Pending Changes in Accounting Principles

In June 2015, the GASB issued Statement No. 74, "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*." The County is required to adopt statement No. 74 for its calendar year 2017 financial statements.

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

In January 2016, the GASB issued Statement No. 80, "*Blending Requirements for Certain Component Units - amendment of GASB No. 14*". The County is required to adopt statement No. 80 for its calendar year 2017 financial statements.

In March 2016, the GASB issued Statement No. 81, "*Irrevocable Split-Interest Agreements*". The County is required to adopt statement No. 81 for its calendar year 2017 financial statements.

In March 2016, the GASB issued Statement No. 82, "*Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*". The County is required to adopt statement No. 82 for its calendar year 2017 financial statements.

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

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

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

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

COUNTY OF ADAMS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016

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

I) Pending Changes in Accounting Principles (Continued)

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

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

NOTE 2: DEPOSIT AND INVESTMENT RISK

The County's investments at December 31, 2016 were as follows:

Governmental Funds

General Fund

CD's \$ 6,007,000

Conservation District

CD's 643,967

Fixed Income Mutual Funds 250,703

Equity Mutual Funds 240,958

Total Governmental Funds 7,142,628

Government-Wide Funds

Investment Derivative 369,031

Total Primary Government  
Investments

\$7,511,659

As of December 31, 2016, the County had the following debt investments and maturities within its excess operating fund accounts:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More Than 10
Certificates of Deposit	\$ 6,650,967	\$ 2,483,967	\$ 2,820,000	\$ 1,197,000	\$ 150,000
Fixed Income Mutual Funds	250,703	-	188,482	62,221	-
Mutal Funds	240,958	N/A	N/A	N/A	N/A
Investment Derivative	369,031	-	-	-	369,031
Total	<u>\$ 7,511,659</u>	<u>\$ 2,483,967</u>	<u>\$ 3,008,482</u>	<u>\$ 1,259,221</u>	<u>\$ 519,031</u>

Interest Rate Risk: The County's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

See Note 11 for information on interest and credit risk for the County's derivative instruments.

COUNTY OF ADAMS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016

NOTE 2: DEPOSIT AND INVESTMENT RISK (CONTINUED)

Credit Risk: The County's investment policy limits investments to direct obligations of the United States Government or its agencies; local agency demand deposits, certificates of deposit; Ginnie Mae, Fannie Mae, Freddie Mac, and obligations secured by these agencies; mutual funds; corporate bonds rated A or higher by Standard & Poors or Moody's; commercial paper which is eligible for purchase by the discount window of the Federal Reserve Bank and has a rating of A-1 by Moody's or P-1 by Standard & Poors; bankers acceptances which are eligible for purchase by the discount window of the Federal Reserve Bank; repurchase agreements having a maturity of less than 30 days; and passbook savings account demand deposits and money market accounts. The County investments in fixed income mutual funds as of December 31, 2016 were rated AA, B and not rated.

Custodial Credit Risk: For deposits and investments, custodial credit risk is the risk that in the event of the failure of the counterparty, the County, will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At December 31, 2016, \$24,696,505 of the County's bank deposits of \$32,343,497 were exposed to custodial credit risk, as they are collateralized with securities held by the pledging financial institution and uninsured. Included in the totals above are certificates of deposit in the amount of \$6,650,967. The certificates of deposits had an original maturity greater than 90 days and are classified as investments in the financial statements. The County does not have a written policy to limit its exposure to custodial credit risk.

Concentration of Credit Risk: The County has no formal policy for investments pertaining to concentration of credit risk. At December 31, 2016, the County was not exposed to concentration of credit risk.

**Fair Value**

Generally accepted accounting principles define fair value, describe a framework for measuring fair value, and require disclosure about fair value measurements. Recurring fair value measurements are those that GASB Statements require or permit at the end of each reporting period. The established framework includes a three-level hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the assets or liabilities fall within different levels of the hierarchy, the classification is based on the lowest level input that is significant to the fair value measurement of the asset or liability. Classification of assets and liabilities within the hierarchy considers the markets in which the assets and liabilities are traded and reliability and transparency of the assumptions used to determine fair value. The hierarchy requires the use of observable market data when available. The levels of the hierarchy and those investments included in each are as follows:

Level 1 – Represented by quoted prices available in an active market. Level 1 securities include highly liquid government bonds, treasury securities, mortgage products and exchange traded equities and mutual funds.

COUNTY OF ADAMS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016

NOTE 2: DEPOSIT AND INVESTMENT RISK (CONTINUED)

**Fair Value (Continued)**

Level 2 – Represented by assets and liabilities similar to Level 1 where quoted prices are not available, but are observable, either directly or indirectly through corroboration with observable market data, such as quoted prices for similar securities and quoted prices in inactive markets and estimated using pricing models or discounted cash flows. Level 2 securities would include U.S. agency securities, mortgage-backed agency securities, obligations of states, and political subdivisions and certain corporate, asset backed securities, swap agreements, and life insurance contracts.

Level 3 – Represented by financial instruments where there is limited activity or nonobservable market prices and pricing models significant to determining the fair value measurement include the reporting entity's own assumptions about the market risk. Level 3 securities would include hedge funds, private equity securities, and those with internally developed values.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The following is a description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy.

**Mutual Funds**

Mutual funds listed on a national market or exchange are valued at the last sales price, or if there is no sale and the market is still considered active, at the mean of the last bid and ask prices on such exchange. The County's interests in mutual funds are categorized by type as fixed income or equity. Such securities are classified within Level 1 of the valuation hierarchy.

The County has mutual funds that have recurring fair value measurements as of December 31, 2016. All mutual funds of \$ 491,661 are valued using quoted market prices (Level 1 inputs).

NOTE 3: RESTRICTED ASSETS

Assets whose use is limited to a specific purpose has been classified as restricted in the governmental funds balance sheet and the statement of net position. Restricted assets are composed of the following:

**General Fund**

Cash Restricted for Debt Service	\$1,094,701
Cash Held in Escrow	451,133
Cash for Construction	3,361,282
Cash Restricted for Program Purposes	<u>19,114</u>
<b>Total Restricted Assets</b>	<b><u><u>\$4,926,230</u></u></b>

COUNTY OF ADAMS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016

## NOTE 4: REAL ESTATE TAXES

Real estate taxes attach as an enforceable lien on property on January 1. Taxes are billed on or about March 1, payable under the following terms: 2% discount, March 1 through April 30; face amount, May 1 through June 30, and 10% penalty after June 30. The County bills these taxes which are collected by elected local tax collectors. The County collects delinquent real estate taxes on behalf of itself and other taxing authorities. Real estate taxes levied for 2016 are recorded as receivables, net of estimated uncollectibles. The net receivables collected during 2016 and expected to be collected within the first sixty (60) days of 2017 are recognized as revenue in 2016. Net receivables estimated to be collectible subsequent to March 1 are recorded as a deferred inflow of resources – unavailable revenue property taxes in the Governmental Funds Balance Sheet. Prior years' levies are recorded using these same principles, and remaining receivables are annually reevaluated as to collectibility.

The rate of taxation in 2016 was 3.4371 mills for general purposes, .1147 mills for library purposes, and .3675 mills for public safety purposes.

## NOTE 5: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>GOVERNMENTAL ACTIVITIES:</u>				
Capital Assets, Not Being Depreciated:				
Land	\$ 1,071,712	\$ -	\$ -	\$ 1,071,712
Agricultural Easements	10,685,755	-	-	10,685,755
Construction in Progress	125,354	2,957,011	(125,354)	2,957,011
Total Capital Assets, Not Being Depreciated	<u>11,882,821</u>	<u>2,957,011</u>	<u>(125,354)</u>	<u>14,714,478</u>
Capital Assets, Being Depreciated:				
Infrastructure	7,486,218	-	-	7,486,218
Buildings and Improvements	56,483,611	327,929	-	56,811,540
Equipment and Vehicles	37,706,783	1,944,623	(3,385)	39,648,021
Total Capital Assets Being Depreciated	<u>101,676,612</u>	<u>2,272,552</u>	<u>(3,385)</u>	<u>103,945,779</u>
Less Accumulated Depreciation For:				
Infrastructure	(3,739,930)	(132,838)	-	(3,872,768)
Buildings and Improvements	(18,665,369)	(1,475,342)	-	(20,140,711)
Equipment and Vehicles	(9,467,258)	(3,293,089)	3,000	(12,757,347)
Total Accumulated Depreciation	<u>(31,872,557)</u>	<u>(4,901,269)</u>	<u>3,000</u>	<u>(36,770,826)</u>
Total Capital Assets, Being Depreciated, Net	<u>69,804,055</u>	<u>(2,628,717)</u>	<u>(385)</u>	<u>67,174,953</u>
Governmental Activities Capital Assets, Net	<u>\$81,686,876</u>	<u>\$328,294</u>	<u>\$ (125,739)</u>	<u>\$81,889,431</u>

COUNTY OF ADAMS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016

NOTE 5: CAPITAL ASSETS (CONTINUED)

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

<u>GOVERNMENTAL ACTIVITIES:</u>	
General Government-Admin.	\$ 463,214
General Government-Judicial	33,108
Public Safety	4,169,495
Public Works	132,838
Human Services	6,480
Conservation and Development	<u>96,134</u>
Total Depreciation Expense – Governmental Activities	<u>\$4,901,269</u>

NOTE 6: LAND HELD FOR RESALE

On April 29, 2013, the Adams County Industrial Development Authority purchased a property in downtown Gettysburg, Pennsylvania for \$1,346,715. The buildings on the property have been demolished. The site is now prepared for future building needs. Engineering fees, legal fees, maintenance fees and other expenses related to this property amounted to \$424,050 at December 31, 2016, and have been capitalized. The property is recorded at net realizable value of \$725,000. An allowance of \$1,045,765 was created in the current year for this purpose.

NOTE 7: DEFINED BENEFIT PENSION PLAN

*A. General Information about the Pension Plan*

*Plan Description.* The County, through a June 2010 agreement, provides employee pension benefits through participation in the Pennsylvania Municipal Retirement System (PMRS). The PMRS was created by the Pennsylvania General Assembly in 1974 with the passage of the Pennsylvania Municipal Retirement Law 1974, P.L. 34, No. 15. PMRS administers pension plans on a contracted basis for any municipality or institution supported and maintained by a Pennsylvania municipality. This agent multiple-employer public employee retirement system maintains each municipality's account separately with that municipality's contributions and related employee contributions, and earnings segregated into separate accounts. PMRS issues a separate Comprehensive Annual Financial Report, which can be obtained by contacting the PMRS accounting office at P.O. Box 1165, Harrisburg, PA 17108-1165.

*Benefits Provided.* Benefit terms were established under the June 2010 agreement between PMRS and the County, changes to benefit terms can only occur by modification of this agreement. Major provisions of the 2010 agreement include the following:

All full-time County employees are required to participate in the System. Benefits vest after five years of service. Employees can retire with an annual retirement benefit after 20 years of service provided age 55 has been attained, or at age 60.

The normal form of payment of retirement benefits is a monthly annuity available for the life of the retired employee. For members hired on or July 1, 2010 an annuity comprised of the following applicable annuities:

- A municipal annuity equal to one percent of the member's final salary multiplied by all years of credited service.

COUNTY OF ADAMS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016

NOTE 7: DEFINED BENEFIT PENSION PLAN (CONTINUED)

A. *General Information about the Pension Plan (Continued)*

- A member's annuity equal to a single life annuity starting on the effective date of retirement with a present value equal to the accumulated member contributions, regular interest on the member contributions, and any excess interest that may be credited to the member's account.

For members hired prior to July 1, 2010, an annuity comprised of the following applicable annuities:

- A current service municipal annuity equal to one and twenty five hundredths percent (1.25%) of the member's final salary multiplied by all years of credited service rendered by the member subsequent to January 1, 2005
- A prior service municipal annuity equal to one percent (1.0%) of the member's final salary multiplied by all years of credited service rendered by the member between January 1, 2005 and January 1, 1975.
- An additional prior service municipal annuity equal to fourtenths percent (0.4%) of the annual average compensation earned during the five years immediately preceding January 1, 1975 or, if not so long employed, then the average annual compensation earned and paid during the whole period of such employment times all years of credited service rendered by the member between January 1, 1975 and January 1, 1963.
- An additional prior service municipal annuity equal to fourtenths percent (0.4%) of the annual average compensation earned during the year prior to January 1, 1963 or, if not so long employed, then the average annual compensation earned and paid during the whole period of such employment times all years of credited service rendered by the member between January 1, 1953 and January 1, 1963.
- A member's annuity equal to a single life annuity starting on the effective date of retirement with a present value equal to the accumulated member contributions, regular interest on the member contributions, and any excess interest that may be credited to the member's account.

Supplemental benefits are derived from employee contributions and interest earnings of the fund. A retiree may elect to receive a reduced amount of benefit and provide a death benefit in the form of annuity or lump sum to the designated beneficiary. The plan also provides death and disability benefits for an active employee.

Administrative costs, including the investment manager, custodial trustee, and actuarial services are charged to the plan and funded through investment earnings.

COUNTY OF ADAMS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016

NOTE 7: DEFINED BENEFIT PENSION PLAN (CONTINUED)

A. *General Information about the Pension Plan (Continued)*

*Employees Covered by Benefit Terms.* At December 31, 2015, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	238
Inactive plan members entitled to but not yet receiving benefits	77
Active plan members	<u>437</u>
	<u>752</u>

*Contributions.* Required contributions to the plan are governed by the 2010 agreement. The PMRS Board will actuarially determine the normal cost of the benefits provided under the contract (2010 agreement) and any liability associated with the actuarial experience of such benefits which shall be contributed annually by the County. Members shall contribute six percent of their compensation to fund the annuity. Members shall also have the option to contribute an additional percentage to fund the optional contribution annuity. The total of the mandatory and optional contributions shall not exceed sixteen percent (16%) of the member's compensation. Optional contributions shall be based on whole percentages and may only be changed or stopped one time per calendar year with written notification to the System.

Payment shall be made by payroll deductions and transmitted to the System by the County in accordance with established System procedures. For the year ended December 31, 2015, the average active employee contribution rate was 6.0% of annual pay, and the County's average contribution rate was 6.40% of covered annual payroll.

B. *Net Pension Liability*

The County's net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015.

*Actuarial assumptions.* The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	5.5%,
Projected salary increases	Age related scale with merit and inflation component ranging from 2.8% to 7.0%
Inflation	3.0%

Mortality rates Pre-Retirement were based on the RP-2000 Scale with 1 year set back for males and 5 year set back for females. Mortality rates Post-Retirement were based on the RP-2000 Sex-Distinct Mortality Table.

The actuarial assumptions used in the December 31, 2015 valuation were based on the PMRS Experience Study for the period covering January 1, 2009 through December 31, 2013 issued by the actuary in July 2015 as well as subsequent Board approved assumption changes.

COUNTY OF ADAMS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016

NOTE 7: DEFINED BENEFIT PENSION PLAN (CONTINUED)

B. *Net Pension Liability (Continued)*

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges 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.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equities (large capitalized firms)	25%	6.9%
Domestic Equities (small capitalized firms)	15%	6.8%
International Equities (international developed markets)	15%	4.0%
International Equities (emerging markets)	10%	7.6%
Real Estate	20%	7.1%
Fixed Income	15%	2.4%
	<u>100%</u>	<u>5.9%</u>

*Discount rate.* The discount rate used to measure the total pension liability was 5.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rates and employers will continue the historical and legally required practice of contributing to the Plan based on an Actuarially Determined Contribution, reflecting a payment equal to annual Normal Cost, the expected Administrative Expenses, and an amount necessary to amortize the remaining Unfunded Actuarial Liability as a level dollar amount over a closed period. Based on these assumptions the pension plan's projected Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. 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.

COUNTY OF ADAMS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016

## NOTE 7: DEFINED BENEFIT PENSION PLAN (CONTINUED)

Changes in the County's net pension liability for the plan for the December 31, 2015 measurement period were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 12/31/2014	\$ 71,475,893	\$ 69,548,447	\$ 1,927,446
Changes for the year:			
Service cost	2,973,800	-	2,973,800
Interest	4,007,991	-	4,007,991
Changes of benefits	-	-	-
Changes of assumptions *	1,220,568	-	1,220,568
Differences between expected and actual experience	(1,698,093)	-	(1,698,093)
Contributions - employer	-	1,312,841	(1,312,841)
Contributions - member	-	1,317,545	(1,317,545)
Net investment income	-	(122,224)	122,224
Benefit payments, including refunds of employee contributions	(3,108,608)	(3,108,608)	-
Administrative expense	-	(178,964)	178,964
Net changes	<u>3,395,658</u>	<u>(779,410)</u>	<u>4,175,068</u>
Balances at 12/31/15	<u>\$ 74,871,551</u>	<u>\$ 68,769,037</u>	<u>\$ 6,102,514</u>

\* - Assumption changes reflect the liability impact of the Board of Trustee approved changes as of December 31, 2015.

*Sensitivity of the pension liability to changes in the discount rate.* The following presents the net pension liability of the County, calculated using the discount rate of 5.5%, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.5%) or 1-percentage-point higher (6.5%) than the current rate:

	1% Decrease (4.5%)	Current Discount Rate (5.5%)	1% Increase (6.5%)
County's net pension liability	<u>\$13,458,023</u>	<u>\$6,102,514</u>	<u>\$(61,570)</u>

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issues PMRS financial report.

COUNTY OF ADAMS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016

## NOTE 7: DEFINED BENEFIT PENSION PLAN (CONTINUED)

*D. Pension Expense and Deferred Outflows of Resources Related to Pensions*

For the year ended December 31, 2015, the County recognized pension expense of \$2,721,995. At December 31, 2015 the County reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,455,508
Changes in assumption	1,046,201	-
Net difference between projected and actual earnings on pension plan investments	3,334,811	-
Contributions subsequent to the measurement date	1,660,672	-
	<u>\$ 6,041,684</u>	<u>\$ 1,455,508</u>

The \$1,660,672 reported as deferred outflows of resources related to pensions resulting from the County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017 financial statements. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2017	\$ 775,460
2018	775,460
2019	775,458
2020	735,561
2021	(68,218)
Thereafter	(68,217)

## NOTE 8: LEASES

The County leases office space and land for 911 towers under several operating lease agreements which have expiration dates ranging from 2017 to 2033. Some of the agreements contain renewal provisions at the County's option. The County also has a lease with a related party as described in Note 20. The following is a schedule of the future minimum rental payments to be made under the various leases as of December 31, 2016:

<u>Years</u>	<u>Courts</u>	<u>Agencies</u>	<u>Total</u>
2017	\$ 34,000	\$356,888	\$ 390,888
2018	34,000	287,424	321,424
2019	34,000	296,046	330,046
2020	-	359,721	359,721
2021	-	282,099	282,099
2022-2026	-	1,571,684	1,571,684
2027-2031	-	1,061,111	1,061,111
2032-2036	-	287,583	287,583
	<u>\$102,000</u>	<u>\$4,502,556</u>	<u>\$4,604,556</u>

Rent expense for 2016 was \$701,106.

COUNTY OF ADAMS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016

NOTE 9: RISK MANAGEMENT

Effective January 1, 1999, the County participates in the Pennsylvania Counties Workers Compensation Trust (the "Trust") insurance pool for workers' compensation insurance. Insurance premiums are developed based on employee job descriptions, rate factors, and payroll costs for the year. For the year ended December 31, 2016, the County was required to pay an insurance premium of \$777,194 to the Trust. The Trust has an audit performed each year and the County may be required to pay an additional premium or entitled to a refund as a result of the audit. For the 2016 Trust audit, the County owed a premium of \$36,070.

Effective January 1, 2015, the County has elected not to purchase commercial health insurance for the risks of losses to which it is exposed. Instead, the County's management believes it is more economical to manage its risk internally. The County pays all claims for risk of loss which the County is exposed including health claims, which are administered by third parties. The County has purchased stop loss insurance from commercial insurers that will reimburse the County 100% of all medical claims over \$150,000 per year per participant with exceptions.

The County will also receive a stop loss reimbursement of 100% for all medical claims up to \$1,000,000 which exceed \$4,319,757 and \$5,065,161 in 2016 and 2015, respectively. The County would have to fund any claims incurred in excess of the \$1,000,000 threshold. During the years ended December 31, 2016 and 2015, the County received stop loss reimbursements for eight claimants in the amount of \$0 and \$65,653, respectively.

The County accounts for its self-insurance activity in its Internal Service Fund. Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because of delays between the time a claim is incurred and it is reported to the County for payment, the estimated liability does not necessarily result in an exact amount. The County's claims liabilities amounts for the years ended December 31, 2016 and 2015 were:

	2016	2015
Liability at beginning of year	\$ 925,427	\$ -
Current year claims	7,662,114	5,542,743
Less - claim payments	<u>(7,052,460)</u>	<u>(4,617,316)</u>
Liability - end of year	<u>\$ 1,535,081</u>	<u>\$ 925,427</u>

The County continues to carry commercial insurance for all other risks of loss including dental, liability and property, and casualty insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years except for the stop loss reimbursements mentioned above. The self-insurance liability is recorded as Accounts Payable in the Proprietary Fund Statement of Net Position and the Government - Wide Statement of Net Position.

COUNTY OF ADAMS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016

## NOTE 10: DEFICIT FUND EQUITY/NET POSITION

The 911 Capital Projects Fund had a deficit unassigned fund balance of \$4,417,797.

The 2009 Capital Projects Fund had a deficit unassigned fund balance of \$147,948.

The Internal Service Fund has a deficit unrestricted net position balance of \$1,350,202.

The County plans to fund these deficits with the proceeds of futures bond issues, a RACP grant, and future rate increases for the Internal Service Fund.

## NOTE 11: LONG-TERM DEBT

A summary of changes in long-term debt follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<u>Governmental Activities:</u>					
Bonds and Note Payable:					
General obligation debt	\$61,681,722	\$19,708,278	\$11,626,858	\$69,763,142	\$2,935,351
Plus: Bond Premium	885,688	883,714	51,012	1,718,390	51,012
Total Bonds and Note Payable:	<u>62,567,410</u>	<u>20,591,992</u>	<u>11,677,870</u>	<u>71,481,532</u>	<u>2,986,363</u>
Other Long Term Liabilities:					
Compensated absences	1,100,287	75,019	-	1,175,306	-
Total Other Long Term Liabilities	<u>1,100,287</u>	<u>75,019</u>	<u>-</u>	<u>1,175,306</u>	<u>-</u>
Governmental Activities: Long-Term Liabilities	<u>\$63,667,697</u>	<u>\$20,667,011</u>	<u>\$11,677,870</u>	<u>\$72,656,838</u>	<u>\$2,986,363</u>
<u>Business-Type Activities:</u>					
Note Payable:					
General Obligation debt	\$1,634,026	\$ -	\$1,030,278	\$603,748	\$108,017
Total Note Payable	<u>1,634,026</u>	<u>-</u>	<u>1,030,278</u>	<u>603,748</u>	<u>108,017</u>
Business-Type Activities Long-Term Liabilities	<u>\$1,634,026</u>	<u>\$ -</u>	<u>\$1,030,278</u>	<u>\$603,748</u>	<u>\$108,017</u>

Compensated absences, other postemployment benefits, and the net pension liability are liquidated by the General Fund, Children & Youth Fund, 911 Fund, and certain other Nonmajor Funds.

COUNTY OF ADAMS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016

## NOTE 11: LONG-TERM DEBT (Continued)

In 2016, the County drew down \$6,090,278 on the General Obligation Note, Series B of 2013. The proceeds of \$6,090,278 are recorded as issuance of debt in the Other Governmental Funds in the Statement of Revenues, Expenditures, and Changes in Fund Balance. The Note was then refunded by the issuance of the General Obligation Bonds, Series of 2016.

In 2016, the County issued the General Obligation Bonds, Series of 2016 in the amount of \$13,435,000. The bonds were issued to currently refund the outstanding portion of the General Obligation Note, Series B of 2013 and to finance various capital projects of the County. The bonds mature in 2041 and bear interest rates ranging from 2% to 4%. The bonds were issued at a premium in the amount of \$883,714. The proceeds of the bonds were recorded as an issuance of debt/refunding bonds in the amount of \$8,131,395 in the General Fund and \$11,576,884 in the Other Governmental Funds in the Statement of Revenues, Expenditures, and Changes in Fund Balance.

General Obligation Notes and Bonds Governmental Activities:

<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Purpose</u>	<u>Balance Outstanding at December 31, 2016</u>
2012	\$37,135,000	General Obligation Bonds, Series of 2012 issued for the purpose of refunding the 2003 Bonds, 2007 Notes, 2009 Notes, and to fund an emergency management project. The notes bear an interest rate between .30% and 4.0% (final maturity occurs in 2037). Principal due in annual installments on May 15 <sup>th</sup> increasing from \$1,585,000 in 2017 to \$1,240,000 in 2037.	\$30,915,000
2014	\$28,605,000	General Obligation Bonds, Series 2014 issued for the purpose of currently refunding the Series 2011 Notes. The bonds bear interest rate based on an index rate equal to a percentage of LIBOR plus an applicable spread as set forth (final maturity occurs in 2031). Principal due in annual installments on November 15 <sup>th</sup> increasing from \$1,210,000 in 2017 to \$2,775,000 in 2031.	25,240,000
2016	\$13,435,000	General Obligation Bonds, Series of 2016 issued to currently refund the General Obligation Note, Series B of 2013 and finance various capital projects. The bonds bear an interest rate ranging from 2% to 4% (final maturity in 2041). Principal due in annual installments on September 15 <sup>th</sup> increasing from \$125,000 in 2017 to \$4,020,000 in 2041.	13,435,000
2016	\$183,000	Note Payable issued to update Ag Center HVAC system. The Note bears a fixed rate of 4.50% for the first 60 months and a variable rate thereafter with a floor of 4.50% based on the remaining proceeds of the note. Principal due in annual installments increasing from \$9,858 in 2016 to \$18,373 in 2026.	173,142
			<u>173,142</u>
			<u>\$69,763,142</u>

COUNTY OF ADAMS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016

## NOTE 11: LONG-TERM DEBT (Continued)

An analysis of debt service requirements to maturity on these obligations follows with the exception of accrued compensated absences, *assuming current interest rate remain the same*:

<u>Governmental Activities:</u>		<u>Principal</u>	<u>Interest</u>	<u>Total Debt</u>
		<u>Requirements</u>	<u>Requirements</u>	<u>Service</u>
Years Ended December 31:				
	2017	\$ 2,935,351	\$ 1,852,550	\$ 4,787,901
	2018	3,021,056	1,811,198	4,832,254
	2019	3,131,794	1,745,123	4,876,917
	2020	3,262,566	1,662,413	4,924,974
	2021	3,403,373	1,569,243	4,972,616
	2022-2026	17,924,002	6,395,815	24,319,817
	2027-2031	19,045,000	4,199,449	23,244,449
	2032-2036	13,175,000	1,806,117	14,981,117
	2037+	3,865,000	291,900	4,156,900
		<u>\$69,763,142</u>	<u>\$21,333,808</u>	<u>\$91,096,950</u>

<u>Business-Type Activities:</u>		<u>Principal</u>	<u>Interest</u>	<u>Total Debt</u>
		<u>Requirements</u>	<u>Requirements</u>	<u>Service</u>
Years Ended December 31:				
	2017	\$ 108,017	\$ 22,739	\$ 130,756
	2018	112,530	18,226	130,756
	2019	117,232	13,524	130,756
	2020	122,130	8,626	130,756
	2021	127,232	3,524	130,756
	2022	16,607	57	16,664
		<u>\$603,748</u>	<u>\$66,696</u>	<u>\$670,444</u>

In 2002, the County defeased the 2001 general obligation bonds by placing the proceeds of the 2002 general obligation bonds in an irrevocable trust to provide for all future debt service payments on the 2001 bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the accompanying financial statements. At December 31, 2016, the principal amount outstanding relative to the defeased debt was \$24,155,000.

Hedging Derivative Instrument Payments and Hedged Debt. As of December 31, 2016, aggregate debt service requirements of the County's General Obligation Bonds, Series of 2014 and net receipts/payments on 2008 Fixed Pay Swap are as follows:

COUNTY OF ADAMS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016

## NOTE 11: LONG-TERM DEBT (Continued)

The amounts in the table below assume that the current interest rates on the General Obligation Bonds, Series of 2014 and the current reference rates of hedging derivative instruments will remain the same for their term. As these rates vary, interest payments on variable-rate bonds and net receipts/payments on the hedging derivative instruments will vary.

Years Ended December 31:	Principal	Interest	Hedging	Total
	<u>Requirements</u>	<u>Requirements</u>	<u>Derivatives Net</u>	
2017	\$ 1,210,000	\$ 210,383	\$ 457,467	\$ 1,877,850
2018	1,260,000	199,351	435,537	1,894,888
2019	1,315,000	187,839	412,699	1,915,538
2020	1,375,000	175,800	388,865	1,939,665
2021	1,435,000	163,237	363,944	1,962,181
2022-2026	8,250,000	606,195	1,404,483	10,260,678
2027-2031	10,395,000	208,723	582,709	11,186,432
	<u>\$ 25,240,000</u>	<u>\$ 1,751,528</u>	<u>\$ 4,045,705</u>	<u>\$ 31,037,232</u>

## NOTE 12: INTEREST RATE SWAPS

Derivative Instruments

The fair value balances and notional amounts of derivative instruments outstanding at December 31, 2016, classified by type, and the changes in fair values of such derivative instruments for the year then ended as reported in the 2016 financial statements are as follows:

	Current Notional Amount	Fair Value at December 31, 2016		Changes in Fair Value	
		Classification	Amount	Classification	Amount
<b>Governmental Activities</b>					
Cash Flow Hedges:					
2008 Fixed Pay Swap	\$25,240,000	Other Asset	\$ 248,261	Deferred Inflow	\$589,676
Investment Derivative:					
2005 Basis Swap	\$25,240,000	Investment	\$ 369,031	Unrestricted Investment Income/(Loss)	\$(402,300)

Fair Values

The fair values of the swaps are estimated using the zero-coupon method and market standard option pricing methods. This method calculates the future net settlement payments required by the swap assuming that current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rate implied by the current yield curve for the hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

COUNTY OF ADAMS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016

## NOTE 12: INTEREST RATE SWAPS (CONTINUED)

Objective and terms of derivative instruments

2005 Basis Swap- In March 2005, the County entered into a Basis Swap agreement with Wachovia Bank as the Counterparty in relation to the County's General Obligation Bonds, Series of 2002 in the then outstanding notional amount of \$34,825,000. The 2005 Basis Swap consists of an interest rate swap agreement whereby the County receives from the Counterparty an interest rate equal to 65% of 1 month LIBOR plus 30 basis points (.30%) and is obligated to pay the Counterparty an interest rate equal to the short term tax exempt rate Bond Market Association index (BMA). In consideration for this monthly exchange formula, the County received an up-front payment in the amount of \$1,190,000. This amount is considered as borrowing and it is reported at the historical cost of \$1,190,000. As payments are made on the swap, principal and interest payments on the borrowing are imputed. Interest income is accrued at the at the market rate used to arrive at the initial balance of the borrowing (2.47783%). The swap is now associated with the General Obligation Bonds, Series of 2014. At December 31, 2016, the swap consisted of an investment derivative with a value of \$369,031 and a borrowing of (\$760,352) for a net fair value of (\$391,321).

2008 Fixed Pay Swap- In June 2008, the County entered into a Forward Starting Interest Rate Swap with Wachovia Bank as the Counterparty with respect to the County's then outstanding Series of 2002 Bonds or any bond or notes issued to refund the bonds in the principle amount of \$31,615,000. The objective was to hedge the changes in cash flows on the 2002 General Obligation Bonds or any bonds or notes issued to refund the bonds. By entering into this contract the County received an upfront payment of \$1,014,000 net of transaction fees. In exchange, the Counterparty will have the option to direct the County to enter into a variable to fixed rate swap whereby the County will pay 4.6525% to the Counterparty and will receive from the Counterparty 78% of one-month LIBOR plus 28 basis points. This option was exercised by Wells Fargo in August of 2011, and the swaption was associated with General Obligation Notes, Series of 2011. The upfront cash of \$1,014,000 represents the value of the option and was amortized over the life of the swaption.

In October 30, 2014, the County issued General Obligation Bonds, Series of 2014 which refunded the General Obligation Notes, Series of 2011. The 2008 Fixed Pay Swap is now associated with the General Obligation Bonds, Series of 2014. The deferred outflow of resources balance of the swap at the time of refunding is being amortized over the life of the bonds and is recorded as deferred outflow of resources in the statement of net position. At December 31, 2016, the swap consisted of a hedging derivative instrument with a value of \$248,261 and a borrowing of (\$5,522,755) for a net fair value of (\$5,274,494).

Derivative Instrument Risks

Credit Risk. As of December 31, 2016, the County was not exposed to credit risk because the swaps (net) had negative fair values. However, should interest rates change and the fair value of the swaps (net) become positive, the County would be exposed to credit risk in the amount of the derivatives fair value. As of December 31, 2016, the Counterparty was rated Aa2 by Moody's, AA- by Standard and Poors and AA by Fitch.

COUNTY OF ADAMS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016

NOTE 12: INTEREST RATE SWAPS (CONTINUED)

The County's Master Swap Agreement contains netting provisions applicable to circumstances where the county enters into more than one derivative transaction with a single counterparty. Under these netting provisions, should one party become insolvent or otherwise default on its obligations, the close-out netting provisions permit the nondefaulting party to terminate all affected transactions and net any settlement amounts payable so that a single sum will be owed by, or owed to, the nondefaulting party.

**Basis Risk.** This is the risk that there is a mismatch between the percentage of LIBOR receipt to the County and the BMA obligation of the Counterparty. In the 2005 Basis Swap, the County receives from the Counterparty an interest rate equal to 65% of 1 month LIBOR plus 30 Base Points (0.30%) spread and is obligated to pay the Counterparty an interest rate equal to SIFMA. The swap matures in November, 2031.

For the 2008 fixed pay swap, this is the risk that short-term tax-exempt bonds do not trade on par with 78% of LIBOR, which would result in a slightly higher effective interest rate. The fixed pay swap is structured so that the County receives 78% of one-month LIBOR plus 28 basis points to cover the underlying tax exempt weekly rate, thereby reducing basis risk. Assuming the historical average rates for one-month LIBOR and SIFMA and a variable rate receipt of 78% of one-month LIBOR, the County expects to accrue monthly cash flow savings in addition to the up-front Premium.

**Termination Risk.** The fixed pay swap was issued pursuant to the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The County may terminate the fixed pay swap. If the fixed pay swap is terminated, the County will be responsible for the underlying variable rate bond obligations. Also, if at the time of termination the fixed pay swap has a negative fair value, the County would be liable to the counterparty for a payment equal to the fixed pay swap's fair value.

**Market Access Risk.** The County is exposed to market access risk as it may be unable to access debt markets in the future. This risk is subject to overall general market conditions and is mitigated to some degree by the fact that the County currently has a Aa2 rating and should therefore be able to procure debt financing and bond insurance if necessary at competitive rates in the future.

COUNTY OF ADAMS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016

## NOTE 13: INTERFUND OPERATING TRANSFERS

Interfund transfers are as a result of the requirement for the General Fund to match a portion of the expenditures or expenses of other funds as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$1,000,871	\$3,763,625
Children and Youth	1,678,048	-
911 Fund	822,385	-
911 Capital Projects Fund	4,172,652	-
Other Governmental Funds	701,213	5,300,813
Total Governmental Fund Types	<u>8,375,169</u>	<u>9,064,438</u>
Proprietary Fund Type:		
Internal Service Fund	<u>747,186</u>	<u>57,917</u>
Total Proprietary Fund Type	<u>747,186</u>	<u>57,917</u>
	<u>\$9,122,355</u>	<u>\$9,122,355</u>

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

## NOTE 14: INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables balances of each individual fund as of December 31, 2016, are as follows:

<u>Governmental Fund Types</u>	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$12,263,636	\$ 8,281,738
Children and Youth Fund	3,653,953	3,446,655
911 Fund	3,884,240	3,807,499
911 Capital Projects Fund	-	4,417,797
Other Governmental Funds	55,800	577,727
Total Government Fund Types	<u>19,857,629</u>	<u>20,531,416</u>
<u>Proprietary Fund Type</u>		
Internal Service Fund	<u>710,826</u>	<u>37,039</u>
Total Proprietary Fund Type	<u>710,826</u>	<u>37,039</u>
Total	<u>\$20,568,455</u>	<u>\$20,568,455</u>

The General Fund has paid expenses on behalf of other funds, therefore, a corresponding interfund receivable and payable has been recorded.

COUNTY OF ADAMS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016

NOTE 15: COMMITMENTS AND CONTINGENCIES

- A) The County participates in a variety of federal and state assisted grant programs, which are subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.
- B) The County is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the County's financial position.

NOTE 16: COMPENSATED ABSENCES

Employees of the County are entitled to certain compensated absences, consisting of paid time off ("PTO") and sick leave. All full-time employees are eligible to accrue PTO, beginning the first day of employment. PTO hours are accrued based on the number of nonovertime hours paid. At year-end, employees may carry over a maximum of 200 hours of unused PTO. At year-end, any unused PTO in excess of 200 hours is placed in the sick leave reserves for employees. Sick leave reserves of up to 60 hours are eligible for reimbursement upon termination or retirement from employment.

Applicable GASB pronouncements require accrual of compensated absences that meets certain specific conditions. The County has determined that such conditions apply to PTO pay of Governmental Funds and the Proprietary Funds. To the extent PTO liabilities for governmental funds are liquidated with available resources they are accounted for as fund liabilities in the fund financial statements; the remainder of the obligation is accounted for in the government-wide financial statements. Proprietary funds account for the entire amount of these liabilities in both the government-wide and fund financial statements.

COUNTY OF ADAMS  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2016

NOTE 17: RESTRICTED FUND BALANCES/NET POSITION

The restrictions of fund balance/net position included in the fund and government wide financial statements represent portions of fund balances/net position that are restricted for various purposes and are not available for the payment of other subsequent expenditures. The following restrictions are included in the fund and government wide financial statements.

General Fund

<u>Nonspendable</u>	<u>\$ 967,115</u>
---------------------	-------------------

This line item represents amount for prepaid expenses and a loan receivable.

<u>Restricted</u>	<u>\$ 1,094,701</u>
-------------------	---------------------

This line item represents amount for debt service.

Nonmajor Funds

Capital Reserve Fund

<u>Committed</u>	<u>\$ 301,601</u>
------------------	-------------------

This line item represents amounts committed for the funding of future capital projects.

Capital Projects Series 2013 Fund

<u>Nonspendable</u>	<u>\$ 947,434</u>
---------------------	-------------------

This line item represents amounts for a loan receivable.

Act 137

<u>Nonspendable</u>	<u>\$ 60,080</u>
---------------------	------------------

This line item represents amounts for notes receivable.

Restricted

<u>Capital Projects Series of 2013 Fund</u>	<u>\$ 684,163</u>
---	-------------------

This line item represents amounts for capital projects.

<u>Human Services Capital Projects Fund</u>	<u>\$ 1,650,807</u>
---	---------------------

This line item represents amounts for capital projects.

COUNTY OF ADAMS  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2016

NOTE 17: RESTRICTED FUND BALANCES/NET POSITION (CONTINUED)

Nonmajor Governmental Funds (Continued)

Restricted (Continued)

<u>Act 13 Fund</u>	<u>\$ 487,667</u>
--------------------	-------------------

This line item represents amounts that are restricted for the expenditures in accordance with Act 13.

<u>Liquid Fuels Tax</u>	<u>\$ 937,556</u>
-------------------------	-------------------

This line item represents amounts that are restricted by grantors for the future payments of expenditures for the building and improvement of roads and bridges.

<u>Records Improvement</u>	<u>\$ 519,361</u>
----------------------------	-------------------

This line item represents amounts that are restricted for improvements in the Recorder of Deeds' Office.

<u>Home Fund</u>	<u>\$ 442</u>
------------------	---------------

This line item represents amounts that are restricted by grantors for future expenditures for community rehab projects.

<u>Act 137</u>	<u>\$ 737,549</u>
----------------	-------------------

This line item represents amounts collected from the recording of fees for mortgages and deeds to enhance local affordable housing efforts.

<u>Hotel Tax</u>	<u>\$ 2,793,272</u>
------------------	---------------------

This line item represents amounts that are restricted for the levying and setting of Hotel room rental tax required for the specific purpose of the County government.

<u>Court Reserved Fund</u>	<u>\$ 462,814</u>
----------------------------	-------------------

This line item represents amounts that are restricted to track court related revenues such as Offender Supervision fees, treatment fees, and Youth offender education fees.

COUNTY OF ADAMS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016

## NOTE 17: RESTRICTED FUND BALANCES/NET POSITION (CONTINUED)

Nonmajor Governmental Funds (Continued)Restricted (Continued)

<u>Conservation District</u>	<u>\$ 1,937,673</u>
------------------------------	---------------------

This line item represents amounts that are restricted for the preservation of Adams County's natural resources, land preservation, and debt service.

<u>Coroner's VISA</u>	<u>\$ 34,386</u>
-----------------------	------------------

This line item represents amounts that are restricted by grantors for purchases of equipment, training, and office and laboratory facility improvement.

<u>Law Enforcement</u>	<u>\$ 15,940</u>
------------------------	------------------

This line item represents amounts that are restricted by grantors for purchase of law enforcement equipment.

<u>Juvenile Restitution</u>	<u>\$ 61,201</u>
-----------------------------	------------------

This line item represents amounts that are restricted for restitution expenditures.

<u>Ag Land Preservation</u>	<u>\$ 582,493</u>
-----------------------------	-------------------

This line item represents amounts that are restricted for land preservation.

<u>Domestic Relations</u>	<u>\$ 927,445</u>
---------------------------	-------------------

This line item represents IV-D incentives funding restricted for program use.

<u>Prison Commissary</u>	<u>\$ 24,147</u>
--------------------------	------------------

This line item represents amounts restricted for the Prison Commissary fund.

<u>Parks and Recreation's Green Space Program</u>	<u>\$ 80,290</u>
---	------------------

This line item represents amounts restricted for the Green Space Program.

COUNTY OF ADAMS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016

## NOTE 18: NOTES RECEIVABLE

Notes receivable represent amounts loaned to qualified County residents for Affordable Housing that are to be repaid to the County. The notes receivable balances consist of the following at December 31, 2016:

<u>Program</u>	<u>Balance Outstanding December 31, 2016</u>
Original note amount of \$25,000 issued August 15, 2000 for home repairs with an interest rate of 1% per annum due in monthly installments of principle and interest of \$94 commencing on October 1, 2000 through and including September 1, 2025.	\$ 22,231
Original note amount of \$90,000 issued in 2005 for home repairs with an interest rate of 1% per annum due in monthly installments of principal and interest of \$414 commencing in February, 2005 through and including January, 2025.	37,848
Original note amounts ranging from \$4,625 to \$25,000 issued from November 2003 through August 2020 for home repairs and improvements. The loans are forgiven at the rate of 10% each year for ten years. If the property is sold, transferred or vacated before the end 10 years, the unforgiven portion of the loan must be repaid.	65,031
Original mortgage note amount of \$260,000 issued in 2006 at an interest rate of 3% per annum due in monthly installments of principal and interest of \$1,232.96 commencing in July, 2006 through and including June, 2031.	<u>105,878</u>
Total Notes Receivable	<u>\$230,988</u>

## NOTE 19: LOANS RECEIVABLE

The County loaned or paid funds to/on behalf of the Adams County Industrial Development Authority in which the Authority was able to purchase four properties. Upon sale of these lots, proceeds will be transferred to the County until the loan is satisfied. The balance outstanding as of December 31, 2016 was \$947,434.

The General Fund loaned or paid funds to/on behalf of the Internal Service Fund. The Internal Service Fund will repay the loan by increasing future rates to its users. The loan receivable and loan payable balance outstanding as of December 31, 2016 was \$905,295 for the General Fund and Internal Service Fund, respectively.

## NOTE 20: RELATED PARTY TRANSACTIONS

Effective July 1, 2014 the County entered into a lease agreement in which the County leases 19,459 square feet of the Agricultural Center Building. The lease will run through June 30, 2017 with rent being due on or about the first day of each month. The lease shall automatically renew for subsequent three year periods; provided that either party may cancel the at the end of the rental period by providing written notice to the other party at least 90 days prior to the end of any period. After the first year and each successive year, the rent may be increased or decreased based on the changes in costs associated with the operation and maintenance of the Center or changes in debt service requirements. Rent expense for 2016 was \$155,672.

COUNTY OF ADAMS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016

NOTE 21: POST-EMPLOYMENT BENEFIT PLAN

*Plan Description.* The County sponsors a post-employment benefits plan that covers health insurance benefits for eligible retirees. Effective January 1, 1998, the Adams County Commissioners established a Retiree Health Care Benefit policy providing the authority under which benefit provisions for the Plan were established and may be amended. The Plan does not issue a publicly available financial report.

Upon meeting the eligibility requirements, retired members will continue coverage under the active employees' medical program in which they were enrolled during their last year of employment, at their own expense. A County employee who retires at age 55 or older from the County's pension program and has completed 20 or more years of service is eligible for continued health insurance until age 65. Elected officials who do not participate in the County's pension program are eligible for this postretirement medical benefit if they are still employed at age 55 or later and have completed 20 or more years of service.

*Funding Policy.* Retired members must pay the premiums for coverage elected under the plan. Failure to pay the required premium will result in cancellation of the insurance. The County may charge an administrative fee in addition to the retired member's monthly premium. The County funds the Plan on a pay-as-you-go basis. For 2016, the County's contribution to the plan for current estimated premiums was \$53,198 using the implicit rate subsidy.

*Annual OPEB Cost and Net OPEB Obligation.* The County's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years on a closed basis. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation to the Plan:

	<u>Governmental Activities</u>
Annual required contribution	\$ 125,418
Interest on Net OPEB obligation	12,520
ARC Adjustment	<u>(19,583)</u>
OPEB Cost	118,355
Estimated contributions made	<u>(53,198)</u>
Increase in net OPEB obligation	65,157
Net OPEB obligation – beginning of year	<u>312,988</u>
Net OPEB obligation – end of year	<u>\$ 378,145</u>

COUNTY OF ADAMS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016

NOTE 21: POST-EMPLOYMENT BENEFIT PLAN (CONTINUED)

The County's annual OPEB cost, the percentage of annual OPEB cost contribution to the plan, and the net OPEB obligation for 2014, 2015, and 2016 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2014	\$ 80,290	35.89%	\$ 233,098
12/31/2015	\$ 120,158	33.51%	\$ 312,988
12/31/2016	\$ 118,355	44.95%	\$378,145

*Funded Status and Funding Progress.* As of January 1, 2015 the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$1,226,641 and there were no assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,226,641. The covered payroll (annual payroll of active employees covered by the plan) was \$20,372,882, and the ratio of the UAAL to the covered payroll was 6.0%.

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

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

In the January 1, 2015 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.0% investment rate of return, which is the expected long-term investment yield on the investments that are expected to be used to finance the payments of benefits, a health care cost trend rate of 6% initially, reduced by decrements to an ultimate rate of 4.0% after 50 years. The UAAL is being amortized using the level dollar method on a closed basis. The remaining amortization period at December 31, 2016 was 25 years.

COUNTY OF ADAMS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016

NOTE 22: EXCESS EXPENDITURES OVER APPROPRIATION

The following major funds had an excess of actual expenditures over budget for the year ended December 31, 2016:

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Percent of Excess over Appropriations</u>
General Fund	\$ 44,073,675	\$ 50,434,645	14.4%
Children and Youth	8,171,177	8,288,582	1.4%
Managed Care	12,800,000	16,261,265	27.0%

The excess of expenditures over appropriations for the General Fund, Children and Youth, and Managed Care were funded by debt proceeds, greater than anticipated revenues, and county contributions.

NOTE 23: SUBSEQUENT EVENT

In August of 2017, the Board of Commissioners authorized the issuance of General Obligation Bonds, Series of 2017 not to exceed the maximum principal amount of \$40,000,000 million dollars. The proceeds of the bonds will be used to pay the termination costs for the County's 2008 Fixed Pay Swap, to current refund the General Obligation Bonds Series of 2014, to fund certain capital projects of the county, and to pay the cost of issuing the bonds.

**REQUIRED  
SUPPLEMENTAL  
INFORMATION**

COUNTY OF ADAMS  
 SCHEDULE OF FUNDING PROGRESS  
 FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2013	\$ -	\$ 1,070,589	\$ 1,070,589	0%	\$ 16,875,270	6.3%
1/1/2014	\$ -	\$ 840,105	\$ 840,105	0%	\$ 18,477,922	4.5%
1/1/2015	\$ -	\$ 1,226,641	\$ 1,226,641	0%	\$ 20,372,882	6.0%

COUNTY OF ADAMS  
SCHEDULE OF CHANGES IN THE COUNTY'S NET PENSION LIABILITY  
AND RELATED RATIOS  
LAST 10 YEARS

	*	*
	2014	2015
Total Pension Liability		
Service Costs	\$ 3,017,176	\$ 2,973,800
Interest	3,801,632	4,007,991
Changes of Benefit Terms	-	-
Differences Between Expected and Actual Experience	-	(1,698,093)
Changes of Assumptions	-	1,220,568
Benefit Payments, Including Refunds of Member Contributions	(2,937,209)	(3,108,608)
Net Change in Total Pension Liability	3,881,599	3,395,658
Total Pension Liability - beginning	67,594,294	71,475,893
Total Pension Liability - ending (a)	<u>\$ 71,475,893</u>	<u>\$ 74,871,551</u>
Plan Fiduciary Net Position		
Contributions - Employer	\$ 1,363,234	\$ 1,312,841
Contributions - Member	1,218,090	1,317,545
Net Investment Income	3,466,490	(122,224)
Benefit Payments, Including Refunds of Member Contributions	(2,937,209)	(3,108,608)
Administrative Expense	(156,491)	(178,964)
Net Change in Plan Fiduciary Net Position	2,954,114	(779,410)
Plan Fiduciary Net Position - beginning	66,594,333	69,548,447
Plan Fiduciary Net Position - ending (b)	<u>\$ 69,548,447</u>	<u>\$ 68,769,037</u>
County's Net Pension Liability - ending (a) - (b)	<u>\$ 1,927,446</u>	<u>\$ 6,102,514</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	97.30%	91.85%
Covered - Employee Payroll	\$ 20,844,661	\$ 20,512,956
County's Net Pension Liability as a Percentage of Covered-Employee Payroll	9.25%	29.75%

\* - Information only available for two years. Future years will be added as information becomes available.

COUNTY OF ADAMS  
SCHEDULE OF COUNTY CONTRIBUTIONS  
LAST 10 YEARS

	*	*	*
	2014	2015	2016
Actuarially Determined Contribution	\$ 1,345,330	1,311,774	1,660,072
Contribution in Relation to the Actuarially Determined Contribution	1,363,234	1,312,841	1,660,072
Contribution Deficiency/(Excess)	\$ (17,904)	\$ (1,067)	\$ -
Covered-Employee Payroll	\$ 20,844,661	\$ 20,512,956	\$ 20,370,106
Contribution as a percentage of Covered-Employee Payroll	6.54%	6.40%	8.15%

Notes to Schedule:

Valuation Date:

Actuarially determined contribution rates are calculated as of January 1 for the even valuation year at least two years prior to the end of the fiscal year in which the contributions were reported.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age
Amortization Method	Level Dollar
Remaining Amortization Period	Based upon the amortization periods in Act 293
Asset Valuation Method	Based Upon Municipal Reserves in PMRS (Fair Value)
Inflation	3.00%
Salary Increases	Age related scale with merit and inflation
Investment Rate of Return	5.50%
COLA increases	3% for those eligible for COLA
Pre-Retirement Mortality	Males - RP 2000 with 1 year set back Females - RP 2000 with 5 year set back
Post-Retirement Mortality:	Sex distinct RP-2000 Combined Healthy

\* - Information only available for three years. Future years will be added as information becomes available

\* - Assumption changes reflect the liability impact of the Board of Trustees approved changes as of December 31, 2015

COUNTY OF ADAMS  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 37,414,544	\$ 37,414,544	\$ 36,385,654	\$ (1,028,890)
Intergovernmental Revenues	2,085,781	2,085,781	1,828,083	(257,698)
Charges for Services	3,449,927	3,449,927	4,951,175	1,501,248
Interest and Rents	79,318	79,318	116,355	37,037
License and Permits	93,114	93,114	138,165	45,051
Court Costs and Fines	314,143	314,143	694,304	380,161
Other	89,550	89,550	411,586	322,036
Total Revenues	43,526,377	43,526,377	44,525,322	998,945
Expenditures				
Current:				
General Government - Administrative	11,849,528	11,849,528	11,009,127	840,401
General Government - Judicial	6,030,290	6,030,290	6,637,011	(606,721)
Public Safety	15,680,292	15,680,292	15,426,727	253,565
Human Services	1,798,990	1,798,990	1,831,278	(32,288)
Culture and Recreation	768,420	768,420	721,675	46,745
Conservation and Development	1,247,293	1,247,293	602,631	644,662
Debt Service				
Principal	3,863,388	3,863,388	11,617,000	(7,753,612)
Interest	2,835,474	2,835,474	2,589,196	246,278
Total Expenditures	44,073,675	44,073,675	50,434,645	(6,360,970)
Excess of Revenues Over (Under) Expenditures	(547,298)	(547,298)	(5,909,323)	(5,362,025)
Other Financing Sources (Uses)				
Operating Transfer In	3,903,639	3,903,639	1,000,871	(2,902,768)
Operating Transfer (Out)	(5,712,583)	(5,712,583)	(3,763,625)	1,948,958
Issuance of Debt	-	-	8,131,395	8,131,395
Swap Proceeds	95,000	95,000	64,157	(30,843)
Debt Premium	-	-	883,714	
Total Other Financing Sources (Uses)	(1,713,944)	(1,713,944)	6,316,512	7,146,742
Net change in fund balances	(2,261,242)	(2,261,242)	407,189	1,784,717
Fund Balances - Beginning of Year	-	-	22,321,887	22,321,887
Fund Balances - End of Year	\$ (2,261,242)	\$ (2,261,242)	\$ 22,729,076	\$ 24,106,604

COUNTY OF ADAMS  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 CHILDREN AND YOUTH FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental Revenues	\$ 6,495,757	\$ 6,495,757	\$ 6,535,884	\$ 40,127
Interest and Rents	50	50	199	149
Miscellaneous	75,500	75,500	74,451	(1,049)
Total Revenues	<u>6,571,307</u>	<u>6,571,307</u>	<u>6,610,534</u>	<u>39,227</u>
Expenditures				
Current:				
Human Services	<u>8,171,177</u>	<u>8,171,177</u>	<u>8,288,582</u>	<u>(117,405)</u>
Total Expenditures	<u>8,171,177</u>	<u>8,171,177</u>	<u>8,288,582</u>	<u>(117,405)</u>
Excess of Revenues Under Expenditures	<u>(1,599,870)</u>	<u>(1,599,870)</u>	<u>(1,678,048)</u>	<u>(78,178)</u>
Other Financing Sources				
Operating Transfer In	<u>1,599,870</u>	<u>1,599,870</u>	<u>1,678,048</u>	<u>78,178</u>
Total Other Financing Sources	<u>1,599,870</u>	<u>1,599,870</u>	<u>1,678,048</u>	<u>78,178</u>
Net change in fund balances	-	-	-	-
Fund Balances - Beginning of Year	-	-	-	-
Fund Balances - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

COUNTY OF ADAMS  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 MANAGED CARE FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues				
Intergovernmental Revenues	\$ 12,800,000	\$ 12,800,000	\$ 16,261,265	\$ 3,461,265
Total Revenues	12,800,000	12,800,000	16,261,265	3,461,265
Expenditures				
Current:				
Human Services	12,800,000	12,800,000	16,261,265	(3,461,265)
Total Expenditures	12,800,000	12,800,000	16,261,265	(3,461,265)
Excess of Revenues Under				
Expenditures	-	-	-	-
Net change in fund balances	-	-	-	-
Fund Balances - Beginning of Year	-	-	-	-
Fund Balances - End of Year	\$ -	\$ -	\$ -	\$ -

COUNTY OF ADAMS  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 911 FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental Revenues	\$ 1,590,438	\$ 1,590,438	\$ 2,012,419	\$ 421,981
Charges for Services	-	-	27,270	27,270
Interest and Rents	-	-	166	166
	<hr/>			
Total Revenues	1,590,438	1,590,438	2,039,855	449,417
<hr/>				
<b>Expenditures</b>				
<b>Current:</b>				
Public Safety	2,981,414	2,981,414	2,597,021	384,393
Capital Outlay	-	-	314,520	(314,520)
	<hr/>			
Total Expenditures	2,981,414	2,981,414	2,911,541	69,873
<hr/>				
Excess of Revenues Under Expenditures	(1,390,976)	(1,390,976)	(871,686)	519,290
<hr/>				
<b>Other Financing Sources</b>				
Operating Transfer In	1,390,976	1,390,976	822,385	(568,591)
Operating Transfer (Out)	-	-	-	-
	<hr/>			
Total Other Financing Sources	1,390,976	1,390,976	822,385	(568,591)
<hr/>				
Net change in fund balances	-	-	(49,301)	(49,301)
<hr/>				
Fund Balances - Beginning of Year	-	-	49,301	49,301
<hr/>				
Fund Balances - End of Year	\$ -	\$ -	\$ -	\$ -
<hr/>				

**OTHER  
SUPPLEMENTAL  
INFORMATION**

**COUNTY OF ADAMS, PENNSYLVANIA**

Net Position by Component  
Last Five Fiscal Years  
(accrual basis of accounting)

	Fiscal Year				
	2012	2013	2014	2015	2016
<b><u>Governmental activities</u></b>					
Net investment in capital assets	\$ 11,493,427	\$ 11,708,826	\$ 13,158,030	\$ 25,031,724	\$ 20,099,187
Restricted	3,609,238	6,141,694	6,078,901	9,260,575	9,670,625
Unrestricted	11,737,429	11,195,902	16,078,565	6,587,452	7,981,463
<b>Total Net Position</b>	<b>\$ 26,840,094</b>	<b>\$ 29,046,422</b>	<b>\$ 35,315,496</b>	<b>\$ 40,879,751</b>	<b>\$ 37,751,275</b>
<b><u>Business-type activities</u></b>					
Net investment in capital assets	\$ 2,499,654	\$ 2,549,387	\$ 2,911,291	\$ -	\$ -
Restricted	-	1,503,331	-	-	-
Unrestricted	982,614	(709,894)	(1,245,332)	133,616	209,249
<b>Total Net Position</b>	<b>\$ 3,482,268</b>	<b>\$ 3,342,824</b>	<b>\$ 1,665,959</b>	<b>\$ 133,616</b>	<b>\$ 209,249</b>
<b><u>Primary government</u></b>					
Net investment in capital assets	\$ 13,993,081	\$ 14,258,213	\$ 16,069,321	\$ 25,031,724	\$ 20,099,187
Restricted	3,609,238	7,645,025	6,078,901	9,260,575	9,670,625
Unrestricted	12,720,043	10,486,008	14,833,233	6,721,068	8,190,712
<b>Total Net Position</b>	<b>\$ 30,322,362</b>	<b>\$ 32,389,246</b>	<b>\$ 36,981,455</b>	<b>\$ 41,013,367</b>	<b>\$ 37,960,524</b>

Note 1: This schedule is prepared in accordance with GASB 63 which the County adopted in 2012. This caused a change in the presentation of Net Assets by Component to Net Position by Component. The next schedule has been included to provide prior years' information as it was originally presented.

Note 2: In 2015, the County adopted GASB 68 and 71. Prior years have not been adjusted to reflect the implementation of these standards.

Source: Statement of Net Position, Financial Statements

**COUNTY OF ADAMS, PENNSYLVANIA**

Net Assets by Component  
 Previous Five Fiscal Years  
 (accrual basis of accounting)

	Fiscal Year				
	2007	2008	2009	2010	2011
<b><u>Governmental activities</u></b>					
Invested in capital assets, net of related debt	\$ 9,719,997	\$ 9,934,770	\$ 10,130,356	\$ 9,575,601	\$ 11,291,237
Restricted	4,231,084	4,511,375	4,539,583	6,057,788	3,089,893
Unrestricted	5,081,704	7,187,437	8,153,086	4,627,218	10,231,820
Total Net Assets	\$ 19,032,785	\$ 21,633,582	\$ 22,823,025	\$ 20,260,607	\$ 24,612,950
<b><u>Business-type activities</u></b>					
Invested in capital assets, net of related debt	\$ 5,497,118	\$ 5,719,458	\$ 5,565,595	\$ 5,419,687	\$ 1,857,719
Restricted	59,559	-	-	-	-
Unrestricted	(9,006,804)	(7,850,682)	(5,133,840)	(4,811,750)	(568,578)
Total Net Assets	\$ (3,450,127)	\$ (2,131,224)	\$ 431,755	\$ 607,937	\$ 1,289,141
<b><u>Primary government</u></b>					
Invested in capital assets, net of related debt	\$ 15,217,115	\$ 15,654,228	\$ 15,695,951	\$ 14,995,288	\$ 13,148,956
Restricted	4,290,643	4,511,375	4,539,583	6,057,788	3,089,893
Unrestricted	(3,925,100)	(663,245)	3,019,246	(184,532)	9,663,242
Total Net Assets	\$ 15,582,658	\$ 19,502,358	\$ 23,254,780	\$ 20,868,544	\$ 25,902,091

Note: In 2010 the County implemented GASB Statements 51 and 53. Prior years have not been adjusted to reflect the implementation of these standards.

Source: Statement of Net Assets, Financial Statements

Changes in Net Position  
Last Five Fiscal Years  
(accrual basis of accounting)

	Fiscal Year				
	2012	2013	2014	2015	2016
<b>Program Expenses</b>					
Governmental activities:					
General Government-Administrative	\$ 8,368,102	\$ 11,110,739	\$ 12,364,019	\$ 12,045,260	\$ 9,369,291
General Government-Judicial	8,565,763	6,075,694	6,401,993	6,761,323	8,396,108
Public Safety	17,184,343	16,283,462	16,450,998	20,357,838	24,426,340
Public Works	325,657	652,486	812,749	344,130	352,043
Human Services	21,907,121	22,646,605	20,925,907	22,885,556	28,193,445
Culture and Recreation	1,697,785	2,669,057	2,381,280	2,301,074	2,716,703
Conservation and Development	2,104,021	2,696,638	2,301,660	2,008,787	2,784,425
Interest on Debt Service	1,893,270	2,036,769	2,023,900	2,608,915	2,743,128
Total governmental activities expenses	62,046,062	64,171,450	63,662,506	\$ 69,312,883	\$ 78,981,483
Business-type activities:					
911 Operations	3,288,224	3,204,519	3,022,501	-	-
Economic Development	-	74,638	120,721	1,758,934	180,362
Total business-type activities expenses	3,288,224	3,279,157	3,143,222	\$ 1,758,934	\$ 180,362
Total Expenses	\$ 65,334,286	\$ 67,450,607	\$ 66,805,728	\$ 71,071,817	\$ 79,161,845
<b>Program Revenues</b>					
Governmental activities:					
Charges for services:					
General Government-Administrative	\$ 1,601,817	\$ 1,695,024	\$ 2,109,728	\$ 1,936,761	\$ 1,649,054
General Government-Judicial	2,280,873	1,779,128	2,061,396	1,983,665	2,108,530
Public Safety	2,206,816	2,240,339	2,282,153	3,109,753	2,559,984
Public Works	-	-	-	-	-
Human Services	852,372	355,646	318,997	183,277	205,015
Culture and Recreation	-	-	-	-	-
Conservation and Development	658,109	749,191	634,828	223,738	227,817
Operating grants and contributions					
General Government-Administrative	874,936	406,898	844,676	176,970	205,917
General Government-Judicial	1,570,770	1,706,503	1,631,748	1,859,129	1,864,306
Public Safety	469,523	447,526	250,685	1,426,668	2,428,007
Public Works	325,091	730,007	1,134,655	969,726	757,158
Human Services	18,963,099	20,729,496	18,194,465	19,948,654	23,067,337
Culture and Recreation	1,086	1,915	3,172	5,196	-
Conservation and Development	540,699	762,649	851,888	994,108	1,087,484
Capital grants and contributions	1,088,202	-	-	-	-
Total governmental activities program revenues	31,433,393	31,604,322	30,318,391	32,817,645	36,160,609
Business-type activities:					
Public Safety	1,921,854	1,368,077	1,268,313	-	-
Economic Development	-	54,433	22,944	1,525,750	56,603
Total business-type activities program revenues	1,921,854	1,422,510	1,291,257	\$ 1,525,750	\$ 56,603
Total primary government program revenues	\$ 33,355,247	\$ 33,026,832	\$ 31,609,648	\$ 34,343,395	\$ 36,217,212
Net (expense)/revenue					
Governmental activities	\$ (30,612,669)	\$ (32,567,128)	\$ (33,344,115)	\$ (36,495,238)	\$ (42,820,874)
Business-type activities	(1,366,370)	(1,856,647)	(1,851,965)	(233,184)	(123,759)
Total primary government net expense	\$ (31,979,039)	\$ (34,423,775)	\$ (35,196,080)	\$ (36,728,422)	\$ (42,944,633)

Changes in Net Position  
Last Five Fiscal Years  
(accrual basis of accounting)

	Fiscal Year				
	2012	2013	2014	2015	2016
<b>General Revenues and Other</b>					
<b>Changes in Net Position</b>					
Governmental activities:					
Property Taxes	\$ 31,558,506	\$ 31,837,110	\$ 35,115,554	\$ 35,899,178	\$ 36,188,653
Per Capita	338,921	350,655	326,466	327,138	304,515
Hotel Tax	1,474,084	2,479,651	2,343,980	2,339,744	2,509,580
Unrestricted investment earnings	691,297	(376,967)	656,327	343,569	54,256
Swap proceeds	-	96,913	99,142	106,159	64,157
Miscellaneous	635,745	763,434	1,104,057	493,430	571,237
Transfers	(1,858,740)	(36,580)	(32,337)	1,479,782	-
<b>Total governmental activities</b>	<b>32,839,813</b>	<b>35,114,216</b>	<b>39,613,189</b>	<b>40,989,000</b>	<b>39,692,398</b>
Business-type activities					
Property Taxes	1,676,617	1,744,739	-	-	-
Unrestricted investment earnings	12,590	52,645	17,994	3,010	3,946
Miscellaneous	11,550	18,735	124,769	177,613	195,446
Transfers	1,858,740	36,580	32,337	(1,479,782)	-
<b>Total business-type activities</b>	<b>3,559,497</b>	<b>1,852,699</b>	<b>175,100</b>	<b>(1,299,159)</b>	<b>199,392</b>
<b>Total primary government</b>	<b>\$ 36,399,310</b>	<b>\$ 36,966,915</b>	<b>\$ 39,788,289</b>	<b>\$ 39,689,841</b>	<b>\$ 39,891,790</b>
<b>Change in Net Position</b>					
Governmental activities	\$ 2,227,144	\$ 2,547,088	\$ 6,269,074	\$ 4,493,762	\$ (3,128,476)
Business-type activities	2,193,127	(3,948)	(1,676,865)	(1,532,343)	75,633
<b>Total Primary government</b>	<b>\$ 4,420,271</b>	<b>\$ 2,543,140</b>	<b>\$ 4,592,209</b>	<b>\$ 2,961,419</b>	<b>\$ (3,052,843)</b>

Note 1: This schedule is prepared in accordance with GASB 63 which the County adopted in 2012. This caused a change in the presentation of Net Assets by Component to Net Position by Component. The next schedule has been included to provide priors' information as it was originally presented.

Note 2: In 2015, the County adopted GASB 68 and 71. Prior years have not been adjusted to reflect the implementation of these standards.

Source: Statement of Net Position, Financial Statements

Changes in Net Assets  
 Previous Five Fiscal Years  
 (accrual basis of accounting)

	Fiscal Year				
	2007	2008	2009	2010	2011
<b>Program Expenses</b>					
Governmental activities:					
General Government-Administrative	\$ 6,614,796	\$ 6,804,867	\$ 7,966,103	\$ 7,308,120	\$ 7,063,395
General Government-Judicial	6,216,093	6,797,993	7,268,198	8,064,135	8,249,830
Public Safety	14,110,252	14,881,964	15,564,951	16,761,901	16,800,410
Public Works	426,403	922,136	947,927	525,464	587,089
Human Services	20,375,204	21,922,647	21,680,738	23,382,068	22,817,631
Culture and Recreation	1,221,494	1,341,165	1,292,955	1,338,712	1,635,834
Conservation and Development	3,013,251	2,714,049	2,800,148	6,307,659	3,275,883
Interest on Debt Service	1,713,335	1,761,670	1,749,988	1,791,350	1,670,677
Total governmental activities expenses	<u>53,690,828</u>	<u>57,146,491</u>	<u>59,271,008</u>	<u>65,479,409</u>	<u>62,100,749</u>
Business-type activities:					
Nursing Home	10,741,818	10,937,309	11,231,766	11,103,877	7,985,345
911 Operations	2,137,305	2,339,970	2,250,619	2,328,285	2,734,068
Economic Development	-	-	-	-	-
Total business-type activities expenses	<u>12,879,123</u>	<u>13,277,279</u>	<u>13,482,385</u>	<u>13,432,162</u>	<u>10,719,413</u>
Total Expenses	<u>\$ 66,569,951</u>	<u>\$ 70,423,770</u>	<u>\$ 72,753,393</u>	<u>\$ 78,911,571</u>	<u>\$ 72,820,162</u>
<b>Program Revenues</b>					
Governmental activities:					
Charges for services:					
General Government-Administrative	1,459,770	1,422,874	1,384,779	1,435,657	1,475,295
General Government-Judicial	1,649,327	2,426,969	2,308,796	2,514,793	2,395,703
Public Safety	1,961,749	2,255,934	2,200,877	2,138,066	2,575,753
Public Works	2,401	-	-	7	-
Human Services	800,492	897,682	816,978	729,786	865,667
Culture and Recreation	-	-	-	-	-
Conservation and Development	728,351	565,048	472,794	854,345	528,391
Operating grants and contributions					
General Government-Administrative	379,752	209,285	206,304	289,466	845,213
General Government-Judicial	1,763,154	1,313,499	1,566,713	1,855,668	1,760,560
Public Safety	690,822	649,015	897,028	841,639	669,961
Public Works	436,351	744,696	752,857	365,718	310,083
Human Services	17,243,603	19,046,012	19,761,865	20,261,069	20,169,436
Culture and Recreation	13,551	5,702	2,927	1,342	1,021
Conservation and Development	1,336,718	699,569	936,219	990,693	710,738
Capital grants and contributions	598,993	8,334	-	-	-
Total governmental activities program revenues	<u>29,065,034</u>	<u>30,244,619</u>	<u>31,308,137</u>	<u>32,278,249</u>	<u>32,307,821</u>
Business-type activities:					
Patient Care	11,516,911	10,037,924	9,700,454	10,001,154	5,711,770
Public Safety	1,338,706	1,268,585	1,484,449	1,529,016	1,522,546
Economic Development	-	-	-	-	-
Total business-type activities program revenues	<u>12,855,617</u>	<u>11,306,509</u>	<u>11,184,903</u>	<u>11,530,170</u>	<u>7,234,316</u>
Total primary government program revenues	<u>\$ 41,920,651</u>	<u>\$ 41,551,128</u>	<u>\$ 42,493,040</u>	<u>\$ 43,808,419</u>	<u>\$ 39,542,137</u>
Net (expense)/revenue					
Governmental activities	\$ (24,625,794)	\$ (26,901,872)	\$ (27,962,871)	\$ (33,201,160)	\$ (29,792,928)
Business-type activities	(23,506)	(1,970,770)	(2,297,482)	(1,901,992)	(3,485,097)
Total primary government net expense	<u>\$ (24,649,300)</u>	<u>\$ (28,872,642)</u>	<u>\$ (30,260,353)</u>	<u>\$ (35,103,152)</u>	<u>\$ (33,278,025)</u>

Changes in Net Assets  
 Previous Five Fiscal Years  
 (accrual basis of accounting)

	Fiscal Year				
	2007	2008	2009	2010	2011
<b>General Revenues and Other</b>					
<b>Changes in Net Assets</b>					
Governmental activities:					
Property Taxes	\$ 24,565,331	\$ 29,664,052	\$ 32,565,721	\$ 31,302,007	\$ 31,982,897
Per Capita	22,907	20,200	25,636	31,322	338,035
Hotel Tax	1,151,690	1,224,365	1,203,992	1,236,768	1,299,446
Unrestricted investment earnings	507,578	457,750	139,717	(218,456)	938,080
Swap proceeds	29,910	1,365,459	35,172	69,584	-
Miscellaneous	54,951	45,384	36,675	98,937	941,113
Transfers	(272,941)	(3,274,541)	(4,854,599)	(2,075,593)	(1,354,300)
<b>Total governmental activities</b>	<b>26,059,426</b>	<b>29,502,669</b>	<b>29,152,314</b>	<b>30,444,569</b>	<b>34,145,271</b>
Business-type activities					
Property Taxes	-	-	-	-	-
Unrestricted investment earnings	28,423	11,604	4,312	1,549	2,009
Miscellaneous	5,380	3,528	1,550	1,032	2,809,992
Transfers	272,941	3,274,541	4,854,599	2,075,593	1,354,300
<b>Total business-type activities</b>	<b>306,744</b>	<b>3,289,673</b>	<b>4,860,461</b>	<b>2,078,174</b>	<b>4,166,301</b>
<b>Total primary government</b>	<b>\$ 26,366,170</b>	<b>\$ 32,792,342</b>	<b>\$ 34,012,775</b>	<b>\$ 32,522,743</b>	<b>\$ 38,311,572</b>
<b>Change in Net Assets</b>					
Governmental activities	\$ 1,433,632	\$ 2,600,797	\$ 1,189,443	\$ (2,756,591)	\$ 4,352,343
Business-type activities	283,238	1,318,903	2,562,979	176,182	681,204
<b>Total Primary government</b>	<b>\$ 1,716,870</b>	<b>\$ 3,919,700</b>	<b>\$ 3,752,422</b>	<b>\$ (2,580,409)</b>	<b>\$ 5,033,547</b>

Note: In 2010 the County implemented GASB Statements 51 and 53. Prior years have not been adjusted to reflect the implementation of these standards.

Source: Statement of Net Assets, Financial Statements

**COUNTY OF ADAMS, PENNSYLVANIA**

## Governmental Activities Tax Revenues by Source

Last Ten Years

(accrual basis of accounting)

<u>Year</u>	<u>Real Estate Tax</u>	<u>Per Capita Tax</u>	<u>Hotel Room Tax</u>	<u>Total</u>
2007	\$ 24,565,331	\$ 22,907	\$ 1,151,690	\$ 25,739,928
2008	29,664,052	20,200	1,224,365	30,908,617
2009	32,565,721	25,636	1,203,992	33,795,349
2010	31,302,007	31,322	1,236,768	32,570,097
2011	31,982,897	338,035	1,299,446	33,620,378
2012	33,235,123	338,921	1,474,084	35,048,128
2013	33,581,849	350,655	2,479,651	36,412,155
2014	35,115,554	326,466	2,343,980	37,786,000
2015	35,899,178	327,138	2,339,744	38,566,060
2016	36,188,653	304,515	2,509,580	39,002,748

Source: Statement of Net Position, Financial Statements

**COUNTY OF ADAMS, PENNSYLVANIA**

Fund Balances of Governmental Funds

Last Ten Years

(modified accrual basis of accounting)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund										
Reserved	\$ 10,608,089	\$ 9,489,694	\$ 7,612,050	\$ 6,391,928	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	(3,635,019)	(2,115,425)	1,298,327	2,846,116	-	-	-	-	-	-
Nonspendable	-	-	-	-	822,441	901,806	598,255	680,101	178,640	967,115
Restricted	-	-	-	-	-	-	-	1,155,443	1,141,339	1,094,701
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	2,206,747	-
Unassigned	-	-	-	-	14,103,984	14,910,603	17,016,515	20,494,257	18,795,161	20,667,260
<b>Total General Fund</b>	<b>\$ 6,973,070</b>	<b>\$ 7,374,269</b>	<b>\$ 8,910,377</b>	<b>\$ 9,238,044</b>	<b>\$ 14,926,425</b>	<b>\$ 15,812,409</b>	<b>\$ 17,614,770</b>	<b>\$ 22,329,801</b>	<b>\$ 22,321,887</b>	<b>\$ 22,729,076</b>
All other-governmental funds										
Reserved	\$ 4,231,084	\$ 4,511,375	\$ 4,539,692	\$ 4,966,901	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	1,114,740	2,086,300	1,241,639	2,641,186	-	-	-	-	-	-
Nonspendable	-	-	-	-	118,147	96,348	75,080	1,158,012	1,153,045	1,007,514
Restricted	-	-	-	-	3,154,737	5,807,678	6,141,694	5,704,812	8,119,236	11,937,206
Committed	-	-	-	-	-	-	-	-	300,656	301,601
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	(183,350)	-	-	(392,040)	(8,538,274)	(4,565,745)
<b>Total all other governmental funds</b>	<b>\$ 5,345,824</b>	<b>\$ 6,597,675</b>	<b>\$ 5,781,331</b>	<b>\$ 7,608,087</b>	<b>\$ 3,089,534</b>	<b>\$ 5,904,026</b>	<b>\$ 6,216,774</b>	<b>\$ 6,470,784</b>	<b>\$ 1,034,663</b>	<b>\$ 8,680,576</b>
<b>Total fund balances of all governmental funds</b>	<b>\$ 12,318,894</b>	<b>\$ 13,971,944</b>	<b>\$ 14,691,708</b>	<b>\$ 16,846,131</b>	<b>\$ 18,015,959</b>	<b>\$ 21,716,435</b>	<b>\$ 23,831,544</b>	<b>\$ 28,800,585</b>	<b>\$ 23,356,550</b>	<b>\$ 31,409,652</b>

The County implemented GASB Statement 54 beginning in 2011; and, therefore prior years have not been adjusted to reflect implementation of this standard.

Source: Balance Sheet Governmental Funds, Financial Statements

**COUNTY OF ADAMS, PENNSYLVANIA**  
 Changes in Fund Balances of Governmental Funds  
 Last Ten Years  
 (modified accrual basis of accounting)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Revenues</b>										
Taxes	\$ 25,731,227	\$ 30,191,575	\$ 33,220,517	\$ 33,252,228	\$ 33,239,071	\$ 33,456,897	\$ 34,599,124	\$ 38,247,076	\$ 38,390,557	\$ 38,895,234
Intergovernmental Revenues	21,455,076	22,549,314	24,065,310	24,537,650	24,431,545	23,679,316	24,593,865	22,658,002	25,041,308	29,410,209
Charges for Services	6,392,029	6,654,823	6,367,991	6,935,412	7,375,365	7,175,384	5,910,420	6,670,833	6,658,974	5,917,931
Interest and Rents	678,182	576,213	198,320	142,723	133,816	146,969	136,949	113,612	371,872	414,933
License and Permits	107,695	102,749	102,110	94,400	91,466	110,679	119,813	111,694	108,591	138,165
Court Costs and Fines	559,236	600,390	546,907	505,229	262,252	270,756	605,499	615,180	642,858	694,304
Miscellaneous	265,425	255,930	203,891	235,781	1,297,551	768,570	1,061,016	1,326,208	609,189	571,237
<b>Total Revenues</b>	<b>55,188,870</b>	<b>60,930,994</b>	<b>64,705,046</b>	<b>65,703,423</b>	<b>66,831,066</b>	<b>65,608,571</b>	<b>67,026,686</b>	<b>69,742,605</b>	<b>71,823,349</b>	<b>76,042,013</b>
<b>Expenditures</b>										
Current:										
General Government-Administrative	7,934,389	8,390,972	9,705,594	9,121,564	9,275,919	10,412,006	11,033,055	11,806,113	11,203,842	11,370,680
General Government-Judicial	5,415,657	5,896,149	6,338,749	7,036,284	7,172,172	7,335,482	5,998,984	6,364,277	6,496,580	6,764,247
Public Safety	12,112,104	12,883,858	13,707,012	14,888,854	14,786,245	15,283,500	15,266,413	15,423,323	17,945,758	18,263,509
Public Works	905,684	770,173	788,259	362,113	539,938	163,466	503,958	678,813	210,194	190,348
Human Services	20,316,615	21,826,274	21,579,766	23,275,378	22,688,967	21,721,651	22,645,027	20,921,464	22,708,043	26,935,050
Culture and Recreation	1,221,494	1,341,165	1,283,307	1,338,712	1,635,834	1,602,776	2,573,007	2,381,280	2,301,074	2,525,690
Conservation and Development	3,360,716	3,013,352	3,261,047	8,125,042	3,033,490	1,950,625	2,696,638	2,294,758	2,106,438	2,580,644
Debt Service										
Principal	1,247,351	1,354,211	1,364,163	1,339,573	1,885,749	17,199,595	2,050,384	30,182,732	3,740,510	11,626,858
Interest	1,705,802	1,754,416	1,719,093	1,816,599	1,848,866	2,072,402	2,035,191	2,010,458	2,549,485	2,594,557
Capital Outlay	295,732	132,026	906,335	197,436	2,118,770	2,282,113	231,448	1,536,042	10,624,839	5,104,209
<b>Total Expenditures</b>	<b>54,515,544</b>	<b>57,362,596</b>	<b>60,653,325</b>	<b>67,501,555</b>	<b>64,985,950</b>	<b>80,023,616</b>	<b>65,034,105</b>	<b>93,599,260</b>	<b>79,886,763</b>	<b>87,955,792</b>
<b>Other Financing Sources (uses)</b>										
Sale of an Asset	-	-	-	1,209	-	-	-	-	-	-
Transfers In	6,836,772	7,819,557	6,154,166	9,323,037	13,549,224	7,901,017	5,258,317	4,599,495	10,018,335	8,375,169
Transfers Out	(7,115,377)	(11,100,364)	(11,015,393)	(11,404,364)	(14,719,187)	(9,766,138)	(5,294,897)	(4,631,832)	(10,971,862)	(9,064,438)
Proceeds from Tax Anticipation Note	5,205,001	7,000,000	-	-	-	-	-	-	-	-
Repayment of Tax Anticipation Note	(5,205,001)	(7,000,000)	-	-	-	-	-	-	-	-
Issuance of refunding of Bonds/Notes	-	-	-	-	29,658,898	15,314,310	-	27,670,891	-	8,912,000
Payments to redeem bonds	-	-	-	-	(29,658,898)	-	-	-	-	-
Issuance of Debt	-	-	1,494,098	5,708,361	-	4,140,924	62,195	1,088,000	2,759,527	10,796,279
Bond Premium	-	-	-	-	-	434,826	-	-	-	883,714
Note Proceeds	2,390,000	-	-	-	-	-	-	-	-	-
Swap Proceeds	29,910	1,365,459	35,172	69,584	494,675	90,582	96,913	99,142	106,159	64,157
<b>Total Other Financing Sources (uses)</b>	<b>2,141,305</b>	<b>(1,915,348)</b>	<b>(3,331,957)</b>	<b>3,697,827</b>	<b>(675,288)</b>	<b>18,115,521</b>	<b>122,528</b>	<b>28,825,696</b>	<b>1,912,159</b>	<b>19,966,881</b>
<b>Net Change in Fund Balances</b>	<b>\$ 2,814,601</b>	<b>\$ 1,653,050</b>	<b>\$ 719,764</b>	<b>\$ 1,899,695</b>	<b>\$ 1,169,828</b>	<b>\$ 3,700,476</b>	<b>\$ 2,115,109</b>	<b>\$ 4,969,041</b>	<b>\$ (6,151,255)</b>	<b>\$ 8,053,102</b>
<b>Debt service as a percentage of noncapital expenditures</b>	5.4%	5.4%	5.2%	4.7%	5.9%	24.8%	6.3%	35.0%	9.1%	17.2%

Source: Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds, Financial Statements

COUNTY OF ADAMS, PENNSYLVANIA

General Government Expenditures by Function

Last Ten Years

Year	General Government- Administrative	General Government- Judicial	Public Safety	Public Works	Human Services	Culture and Recreation	Conservation and Development	Capital Outlay	Debt Service	Totals
2007	\$ 7,934,389	\$ 5,415,657	\$ 12,112,104	\$ 905,684	\$ 20,316,615	\$ 1,221,494	\$ 3,360,716	\$ 295,762	\$ 2,953,153	\$ 54,515,574
2008	8,390,972	5,896,149	12,883,858	770,173	21,826,274	1,341,165	3,013,352	132,026	3,108,627	57,362,596
2009	9,705,594	6,338,749	13,707,012	788,259	21,579,766	1,283,307	3,261,047	906,335	3,083,256	60,653,325
2010	9,121,564	7,036,284	14,888,854	362,113	23,275,378	1,338,712	8,125,042	197,436	3,156,172	67,501,555
2011	9,275,919	7,172,172	14,786,245	539,938	22,688,967	1,635,834	3,033,490	2,118,770	3,734,615	64,985,950
2012	10,412,006	7,335,482	15,283,500	163,466	21,721,651	1,602,776	1,950,625	2,282,113	19,271,997	80,023,616
2013	11,033,055	5,998,984	15,266,413	503,958	22,645,027	2,573,007	2,696,638	231,448	4,085,575	65,034,105
2014	11,806,113	6,364,277	15,423,323	678,813	20,921,464	2,381,280	2,294,758	1,536,042	32,193,190	93,599,260
2015	11,203,842	6,496,580	17,945,758	210,194	22,708,043	2,301,074	2,106,438	10,624,839	6,289,995	79,886,763
2016	11,370,680	6,764,247	18,263,509	190,348	26,935,050	2,525,690	2,580,644	5,104,209	14,221,415	87,955,792

Source: Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds, Financial Statements

**COUNTY OF ADAMS, PENNSYLVANIA**

General Governmental Revenues by Source  
Last Ten Years

Year	Taxes	Intergovernmental	Charges for Services	Interest and Rents	License and Permits	Court Costs and Fines	(1) Bond Proceeds and Other	Totals
2007	\$ 25,731,227	\$ 21,455,076	\$ 6,392,029	\$ 678,182	\$ 107,695	\$ 559,236	\$ 2,685,335	\$ 57,608,780
2008	30,191,575	22,549,314	6,654,823	576,213	102,749	600,390	1,621,389	62,296,453
2009	33,220,517	24,065,310	6,367,991	198,320	102,110	546,907	1,733,161	66,234,316
2010	33,252,228	24,537,650	6,935,412	142,723	94,400	505,229	6,013,726	71,481,368
2011	33,239,071	24,431,545	7,375,365	133,816	91,466	262,252	1,792,226	67,325,741
2012	33,456,897	23,679,316	7,175,384	146,969	110,679	270,756	20,749,212	85,589,213
2013	34,599,124	24,593,865	5,910,420	136,949	119,813	605,499	1,220,124	67,185,794
2014	38,247,076	22,658,002	6,670,833	113,612	111,694	615,180	30,085,099	98,501,496
2015	38,390,557	25,041,308	6,658,974	371,872	108,591	642,858	3,474,875	74,689,035
2016	38,895,234	29,410,209	5,917,931	414,933	138,165	694,304	21,227,387	96,698,163

Notes:

(1) Includes proceeds from bond issues which are included in the financial section as Other Financing Sources and Other Revenue

Source: Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds, Financial Statements

**COUNTY OF ADAMS, PENNSYLVANIA**

## Governmental Funds Tax Revenues by Source

Last Ten Years

(modified accrual basis of accounting)

<u>Year</u>	<u>Real Estate Tax</u>	<u>Per Capita Tax</u>	<u>Hotel Room Tax</u>	<u>Total</u>
2007	\$ 24,577,923	\$ 22,907	\$ 1,130,397	\$ 25,731,227
2008	28,947,010	20,200	1,224,365	30,191,575
2009	31,990,889	25,636	1,203,992	33,220,517
2010	31,984,138	31,322	1,236,768	33,252,228
2011	31,601,590	338,035	1,299,446	33,239,071
2012	31,643,892	338,921	1,474,084	33,456,897
2013	31,768,818	350,655	2,479,651	34,599,124
2014	35,576,630	326,466	2,343,980	38,247,076
2015	35,723,675	327,138	2,339,744	38,390,557
2016	36,081,139	304,515	2,509,580	38,895,234

Source: Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds,  
Financial Statements