

County of Monroe, Pennsylvania

**Financial Statements and
Supplementary Information**

December 31, 2017



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County of Monroe, Pennsylvania

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December 31, 2017

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Independent Auditor's Report

To the Board of County Commissioners
County of Monroe, Pennsylvania
Stroudsburg, Pennsylvania

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the blended component unit of the Monroe County Conservation District, which represents 17%, 31%, and 10%, respectively, of the assets, net position, and revenues of the business-type activities; and 1%, 1%, and 4%, respectively, of the assets, net position, and revenues of the aggregate remaining fund information. We also did not audit the financial statements of the Monroe County Industrial Development Authority, the Pocono Mountains Industrial Park Authority, Pocono Mountains Industries, Inc., the Monroe County Municipal Waste Management Authority, the Pocono Mountains Municipal Airport Authority, or the Redevelopment Authority of Monroe County (aggregate discretely presented component units). Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented and blended component units, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Auditor's Responsibility (continued)

The financial statements of Pleasant Valley Manor, Inc., a blended component unit, as well as the aggregate discretely presented component units of the Monroe County Industrial Development Authority, the Pocono Mountains Industrial Park Authority, Pocono Mountains Industries, Inc., the Monroe County Municipal Waste Management Authority, and the Pocono Mountains Municipal Airport Authority were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 24 to the financial statements, the 2016 financial statements have been restated to correct certain misstatements. Our opinion is not modified with respect to this matter.

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report, dated September 14, 2018, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

RKL LLP

September 14, 2018
Lancaster, Pennsylvania

County of Monroe

Management's Discussion and Analysis

December 31, 2017

Introduction

This section of the financial statements for the County of Monroe, Pennsylvania (the County) presents a narrative overview and analysis of the County's financial performance for the fiscal year ended December 31, 2017. We recommend that it be read in conjunction with the accompanying basic financial statements and notes to financial statements in order to obtain a thorough understanding of the County's financial condition at December 31, 2017.

Financial Highlights

- At December 31, 2017, the total General Fund balance was \$19,827,104. The unassigned portion was \$18,295,430, up from \$16,251,489 the previous year.
- Property tax rates were at 21.25 mills for 2017.
- Total primary government net position at year end was \$49,327,698.

Overview of the Financial Statements

The financial section of this report consists of three components: 1) Management's discussion and analysis, 2) basic financial statements (including notes), and 3) required supplementary information.

Management's discussion and analysis is a guide to reading the financial statements and provides related information to help the reader better understand the County government. The basic financial statements include notes that provide additional information essential to a full understanding of the financial data provided in the government-wide and fund financial statements. Required supplementary information is provided on the County's pension plan and budget to actual figures for the General Fund.

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

Government-Wide Financial Statements. The first two statements provide information about the County's overall financial status 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 government. They provide more detail on operations than the government-wide statements. There are three types of fund financial statements:

Governmental Funds. These statements show how general government services, such as public safety, were financed in the short-term, as well as what remains for future spending.

Proprietary Funds. These statements offer short-term and long-term financial information about the activities the County operates like a business, such as the Sewer and Water Fund.

Fiduciary Funds. These statements reflect activities involving resources that are held by the County as a trustee or agent for the benefit of others, including employees of the County, like the pension plan. Fiduciary Funds are not reflected in the government-wide statements because the resources cannot be used to support the County's programs.

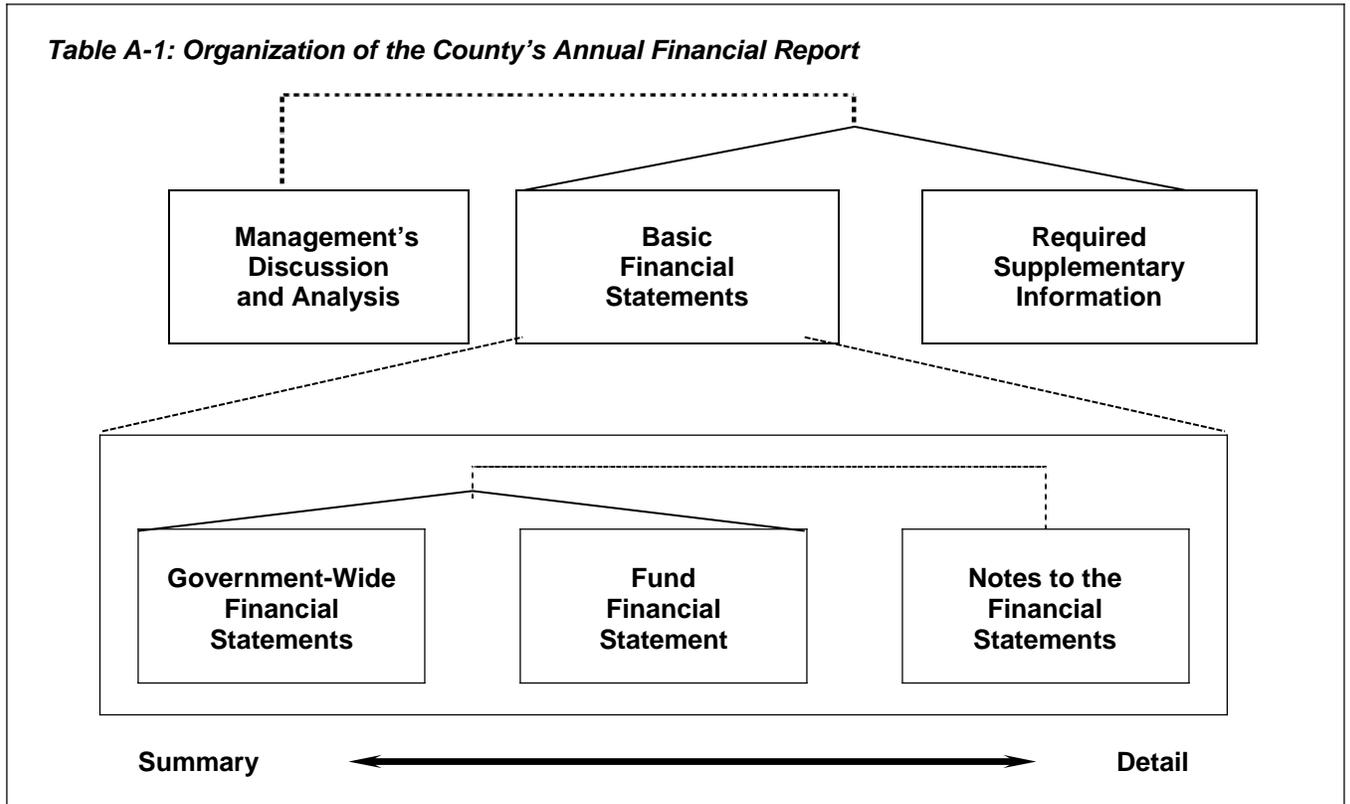
County of Monroe

Management's Discussion and Analysis

December 31, 2017

Overview of the Financial Statements (continued)

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



County of Monroe

Management's Discussion and Analysis

December 31, 2017

Overview of the Financial Statements (continued)

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.

	Government-Wide	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire County 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 Sewer and Water Fund	Instances in which the County administers resources on behalf of others, such as the employee pension plan
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources measurement focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Current assets and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both financial and capital, short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and 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

County of Monroe

Management's Discussion and Analysis

December 31, 2017

Overview of the Financial Statements (continued)

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

Government-Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The statement of net position presents information for all of the County's assets and liabilities, except fiduciary funds, with the difference between the two reported as net position. This statement serves a purpose similar to that of the balance sheet of a private-sector business. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating. Net position is one way to measure the County's financial position. However, other nonfinancial factors, such as changes in the County's real property tax base and general economic conditions, must be considered to assess the overall position of the County.

The statement of activities presents information showing how the County's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items where cash flows will not result until future periods (e.g. uncollected taxes and earned, but unused vacation leave).

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.

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 - Pleasant Valley Manor, Inc. and the Monroe County Conservation District. Also, the County has six discretely presented component units - the Monroe County Industrial Development Authority; the Pocono Mountains Industrial Park Authority; Pocono Mountains Industries, Inc.; the Monroe County Municipal Waste Management Authority; the Pocono Mountains Municipal Airport Authority; and the Redevelopment Authority of Monroe County. Complete and detailed financial statements for the individual component units are available for public inspection in the County Controller's Office (see Note 1 to the financial statements).

There are two categories for the primary government.

Governmental Activities. Governmental activities include the County's basic services such as general and judicial administration, corrections, public safety, public works, and human services. Property taxes and state and federal grants finance most of these activities.

Business-Type Activities. Business-type activities such as the County's Sewer and Water Fund charge a fee to customers to help cover the costs of services.

Overview of the Financial Statements (continued)

Net position of the governmental activities differs from the Governmental Funds balances because Governmental Fund level statements only report transactions using or providing current financial resources. Also, capital assets are reported as expenditures when financial resources (money) are expensed to purchase or build said 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 of capital assets
- Report long-term debt as a liability
- Depreciate capital assets and allocate the depreciation to the proper program/activities
- Calculate revenue and expenses 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 is net position that has constraints placed on the use by external sources (creditors, grantors, contributors, or laws or regulations of governments) or imposed by law through constitutional provisions or enabling legislation
 - Unrestricted net position is net position that does not meet any of the above restrictions

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

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

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

The County adopts an annual budget for the General Fund, certain Special Revenue Funds, and the Capital Projects Fund, as required by state law. Budgetary comparisons for the County's major funds are presented as required supplementary information.

County of Monroe

Management's Discussion and Analysis

December 31, 2017

Overview of the Financial Statements (continued)

Proprietary Funds. Proprietary funds report business-type programs and activities that charge fees designed to recover the cost of providing services. They report using full accrual accounting.

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

Notes to Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 33 through 111 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's Employee Retirement Plan and the County's original and final budgeted revenues and expenditures versus actual revenues and expenditures. Required supplementary information can be found on pages 112 through 117 of this report.

Government-Wide Financial Analysis

Net Position

Monroe County's total assets were \$112,095,829 at December 31, 2017. Of this amount, \$48,742,888 was invested in capital assets.

Governmental Accounting Standards Board (GASB) Statement 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 allow infrastructure to be added over several years.

As noted earlier, net position may serve over time as a useful indicator of the County's financial position. For the County of Monroe, total assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$49,327,698 at the close of the most recent year.

A portion of the County's net position reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investments in its capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

County of Monroe

Management's Discussion and Analysis

December 31, 2017

Government-Wide Financial Analysis (continued)

The following is a condensed summary of net position for the years ended December 31, 2017 and 2016:

	Governmental Activities		Business-Type Activities		Total	
	2017	2016 (Restated)	2017	2016 (Restated)	2017	2016 (Restated)
Assets						
Current and other assets	\$ 58,107,115	\$ 57,836,914	\$ 5,245,826	\$ 5,455,453	\$ 63,352,941	\$ 63,292,367
Capital assets	44,503,505	44,254,398	4,239,383	2,845,888	48,742,888	47,100,286
Total Assets	102,610,620	102,091,312	9,485,209	8,301,341	112,095,829	110,392,653
Deferred Outflows of Resources						
Deferred charges on refunding	102,101	127,035	-	-	102,101	127,035
Related to pensions	4,331,259	6,125,469	-	-	4,331,259	6,125,469
Total Deferred Outflow of Resources	4,433,360	6,252,504	-	-	4,433,360	6,252,504
Liabilities						
Long-term debt outstanding	44,038,036	56,958,553	2,893,163	2,412,452	46,931,199	59,371,005
Other liabilities	12,350,363	9,073,819	2,264,157	1,999,508	14,614,520	11,073,327
Total Liabilities	56,388,399	66,032,372	5,157,320	4,411,960	61,545,719	70,444,332
Deferred Inflows of Resources						
Related to pensions	5,655,772	132,716	-	-	5,655,772	132,716
Net Position						
Net investment in capital assets	20,255,846	17,386,361	4,210,827	2,812,556	24,466,673	20,198,917
Restricted	10,066,545	9,485,975	634,640	522,539	10,701,185	10,008,514
Unrestricted	14,677,418	15,306,392	(517,578)	554,286	14,159,840	15,860,678
Total Net Position	\$ 44,999,809	\$ 42,178,728	\$ 4,327,889	\$ 3,889,381	\$ 49,327,698	\$ 46,068,109

County of Monroe

Management's Discussion and Analysis

December 31, 2017

Government-Wide Financial Analysis (continued)

The following condensed statement of activities represent changes in net position for the years ended December 31, 2017 and 2016. It shows revenues by sources and expenses by function for governmental activities, business-type activities, and the government as a whole.

	Governmental Activities		Business-Type Activities		Total	
	2017	2016 (Restated)	2017	2016 (Restated)	2017	2016 (Restated)
Revenues						
Program revenues						
Charges for services	\$ 11,388,755	\$ 14,808,412	\$ 15,872,807	\$ 15,907,554	\$ 27,261,562	\$ 30,715,966
Operating grants and contributions	39,077,173	31,636,413	1,142,098	1,093,861	40,219,271	32,730,274
Capital grants and contributions	-	316,903	-	-	-	316,903
General revenues						
Property taxes	45,974,628	46,632,243	-	-	45,974,628	46,632,243
Hotel room rental tax	1,103,315	568,493	-	-	1,103,315	568,493
Licenses and permits	46,943	48,315	-	-	46,943	48,315
Interest, investment earnings, and royalties	243,900	655,585	1,818	1,098	245,718	656,683
Miscellaneous	424,654	458,068	-	-	424,654	458,068
Loss on sale of assets	(25,908)	-	-	-	(25,908)	-
Transfers (internal activities)	(105,878)	(132,243)	55,931	132,243	(49,947)	-
Total Revenues	98,127,582	94,992,189	17,072,654	17,134,756	115,200,236	112,126,945
Program Expenses						
General government						
Administrative	14,118,221	13,430,610	-	-	14,118,221	13,430,610
Judicial	17,294,062	17,099,964	-	-	17,294,062	17,099,964
Public safety	29,183,764	23,526,935	-	-	29,183,764	23,526,935
Public works	2,382,198	2,504,151	-	-	2,382,198	2,504,151
Human services	25,401,775	25,297,560	14,782,892	13,728,443	40,184,667	39,026,003
Culture and recreation	3,010,069	2,823,354	-	-	3,010,069	2,823,354
Sewer and water services	-	-	182,670	202,115	182,670	202,115
Conservation and development	2,477,253	2,224,795	1,668,584	1,620,905	4,145,837	3,845,700
Interest on long-term debt	1,439,159	1,656,359	-	-	1,439,159	1,656,359
Total Program Expenses	95,306,501	88,563,728	16,634,146	15,551,463	111,940,647	104,115,191
Change in Net Position	\$ 2,821,081	\$ 6,428,461	\$ 438,508	\$ 1,583,293	\$ 3,259,589	\$ 8,011,754

County of Monroe

Management's Discussion and Analysis

December 31, 2017

Net Program Expenses

Net program expenses indicate the amount of support required from taxes and other general revenues for a program of the government. In 2017 and 2016, general property taxes brought in \$45,974,628 and \$46,632,243, respectively. The following table depicts the net program expenses for the years ended December 31:

Program	2017		2016 (Restated)	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General government				
Administrative	\$ 14,118,221	\$ 8,953,872	\$ 13,430,610	\$ 7,154,652
Judicial	17,294,062	10,346,397	17,099,964	9,867,667
Public safety	29,183,764	16,497,401	23,526,935	16,131,030
Public works	2,382,198	222,126	2,504,151	(22,594)
Human services	25,401,775	4,805,354	25,297,561	4,903,439
Culture and recreation	3,010,069	604,984	2,823,353	412,121
Conservation and development	2,477,253	1,971,280	2,224,795	1,699,326
Interest on long-term debt	1,439,159	1,439,159	1,656,359	1,656,359
Human services - BTA	14,782,892	(333,914)	13,728,443	(1,629,589)
Sewer and water services - BTA	182,670	49,337	202,115	72,704
Conservation and development - BTA	1,668,584	(96,182)	1,620,905	106,933
	<u>\$ 111,940,647</u>	<u>\$ 44,459,814</u>	<u>\$ 104,115,191</u>	<u>\$ 40,352,048</u>

The County relied on property taxes and other general revenues to fund 41% and 47% of its governmental and business-type activities in 2017 and 2016, respectively.

The property tax is based on the assessed value of real property. Property tax revenues for 2017 have decreased slightly in comparison to 2016. There was no change in the millage rate in 2017. The County's millage rate was 21.25 in 2017 and 2016. Accordingly, real property tax revenue decreased approximately 1.4% in 2017 and decreased approximately 0.3% in 2016. The County's current millage rate of 21.25 is below the Commonwealth set cap of 25 mills for operating costs.

County of Monroe

Management's Discussion and Analysis

December 31, 2017

Capital Assets

Capital Assets. The County's investment in capital assets at December 31, 2017, net of accumulated depreciation was \$20,255,846 for governmental activities and \$4,210,827 for business-type activities. Capital assets consist primarily of land, buildings, machinery, and tools and infrastructure. The following table is a summary of capital assets at December 31:

	Governmental Activities		Business-Type Activities	
	2017	2016	2017	2016
Land	\$ 1,945,826	\$ 1,945,826	\$ 263,262	\$ 263,262
Collection	-	-	3,725	3,725
Agricultural easements	20,288,825	20,288,825	-	-
Sewer improvements	-	-	985,401	936,148
Land improvements	-	-	535,748	452,745
Buildings and improvements	40,920,448	39,511,925	6,620,053	6,360,370
Equipment and furniture	5,339,932	5,365,257	8,869,662	7,392,286
Infrastructure	3,648,587	3,648,587	-	-
Accumulated depreciation	(27,640,113)	(26,506,022)	(13,038,469)	(12,562,648)
	<u>\$ (44,503,505)</u>	<u>\$ 44,254,398</u>	<u>\$ 4,239,382</u>	<u>\$ 2,845,888</u>

Buildings and improvements, net of accumulated depreciation, account for 44% of the County's capital assets for governmental activities. The listed agricultural easements for the County under governmental activities is for land that is valued for purposes of real property at its current agricultural use valuation purchased with the County's General Fund or matching grant money.

Additional information on the County's capital assets can be found in Note 10 to the financial statements.

Debt Administration

Long-Term Debt. At December 31, 2017, the County had \$44,038,036 of long-term debt outstanding for governmental activities. This was a decrease of \$12,920,517 from the previous year. The following table details activity related to the long-term debt:

	Beginning Balance	Additions	Reductions	Ending Balance
General obligation debt	\$ 44,440,000	\$ -	\$ (4,495,000)	\$ 39,945,000
Issuance discount	(6,830)	-	3,067	(3,763)
Bond premium	2,043,254	-	(314,495)	1,728,759
Compensated absences	309,810	-	-	309,810
Net pension liability	9,529,636	-	(8,053,658)	1,475,978
Self-insurance claims payable	528,171	-	(87,724)	440,447
Lease liability	114,512	97,871	(70,578)	141,805
	<u>\$ 56,958,553</u>	<u>\$ 97,871</u>	<u>\$ (13,018,388)</u>	<u>\$ 44,038,036</u>

County of Monroe

Management's Discussion and Analysis

December 31, 2017

Debt Administration (continued)

Bond Rating. The County's current bond rating through Moody's is Aa3. The current combined net nonelectoral and net lease rental debt limit for 2017 will be approximately \$110,000,000.

Additional information on the County's long-term debt can be found in Note 17 to the financial statements.

Governmental Funds

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

The focus of Governmental Funds is to provide information on near-term inflows, outflows, and balances of resources available for spending. Such information is useful in assessing the County's financing requirements. In particular, unreserved/undesignated fund balances 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, Debt Service Fund, and the Capital Projects Fund. The General Fund is the chief operating fund for the County. Special Revenue Funds are restricted to specific legislated use, while construction and other projects funded primarily through bond issues are accounted for through the use of the Capital Projects Fund. The Debt Service Fund is used to accumulate funds to pay the principal and interest on debt. The major funds are shown on the statement of revenues, expenditures, and changes in fund balance and the balance sheet in the financial statements.

Governmental Funds Revenues. Governmental Funds revenues by source are summarized below at December 31:

	<u>2017</u>	<u>2016</u>
Real estate taxes	\$ 46,877,815	\$ 46,528,087
Licenses and permits	46,943	48,315
Intergovernmental	39,077,173	29,252,218
Charges for services	11,388,755	16,649,039
Hotel room rental tax	1,103,315	568,493
Investment income	243,899	167,816
Miscellaneous revenue	219,336	239,590
Rental income	205,320	248,431
Operating transfers in	5,150,717	6,938,722
	<u>\$ 104,313,273</u>	<u>\$ 100,640,711</u>

Governmental Funds revenue totaled \$104,313,273 for the year ended December 31, 2017. This was an increase of \$3,672,562 or 3.65% from the previous year, largely due to a statewide interconnectivity grant received for the 911 Center and recorded to intergovernmental revenues.

County of Monroe

Management's Discussion and Analysis December 31, 2017

Governmental Funds (continued)

Governmental Funds Expenditures. Governmental Funds expenditures by function are summarized below at December 31:

	<u>2017</u>	<u>2016</u>
General government		
Administrative	\$ 15,622,140	\$ 13,393,772
Judicial	17,167,049	16,570,067
Public safety	28,774,846	22,855,984
Public works	2,248,548	2,432,638
Human services	25,528,667	25,129,657
Culture and recreation	2,936,907	2,760,750
Conservation and development	2,573,348	2,289,204
Debt service principal	4,495,000	4,301,119
Debt service interest	1,799,483	1,916,233
Operating transfers out	5,206,648	7,020,890
Transfers to component units	49,947	50,075
	<u>\$ 106,402,583</u>	<u>\$ 98,720,389</u>

Governmental Funds expenditures totaled \$106,402,583 for the year ended December 31, 2017. This represents an increase of \$7,682,194 or 7.78% from the prior year, largely due to increased expenditures to public safety related to a statewide interconnectivity grant received for the 911 Center.

Governmental Funds Balances. Ending fund balances for Governmental Funds and net position for Proprietary Funds are listed below at December 31, 2017:

	<u>Governmental Funds</u>	<u>Proprietary Funds</u>
General fund	\$ 19,827,104	\$ -
Children and youth fund	-	-
Capital projects fund	22,187	-
Open space fund	284,849	-
Other governmental funds	10,187,212	-
Pleasant Valley Manor, Inc.	-	2,023,978
Other enterprise funds	-	2,303,911
	<u>\$ 30,321,352</u>	<u>\$ 4,327,889</u>

The County's Governmental Funds reported a combined fund balance of \$30,321,352 at December 31, 2017. Of that total, \$18,295,430 was unassigned in the General Fund and is available to meet the County's current and future needs.

County of Monroe

Management's Discussion and Analysis

December 31, 2017

Governmental Funds (continued)

The General Fund is the primary operating fund of the County. At December 31, 2017, the total General Fund balance was \$19,827,104 as stated above; the unassigned portion was approximately \$18.3 million, up from \$16.3 million in 2016.

The \$22,187 in the Capital Projects Fund and the \$284,849 in the Open Space Fund of the County are maintained to account for the financial resources expended for the acquisition, renovation, or construction of major County facilities and the County Open Space Program, respectively.

Budgetary Highlights

The Monroe County Office of Fiscal Affairs revises the budget on an ongoing basis. These revisions include budgeted transfers from one general ledger account to another, and amendments to the bottom line of various funds. The requests for general ledger account transfers are submitted by departmental and agency heads and, if deemed appropriate and after consideration of accounting principles generally accepted in the United States of America (U.S. GAAP) and County policy, are approved by the Commissioners and entered into the financial system. Increases or decreases to the bottom line of an individual fund or budget amendments are entered as new sources of revenue are known or unplanned operating expenditures become evident. New grants are a common source of budget amendments requiring Commissioner approval. The Board of Commissioners of the County, on December 16, 2016, presented the adopted budget for 2017. This reflected a total budget of \$105.2 million, \$59.4 million of which related to the General Fund.

Economic Factors

According to U.S. Census, Monroe County's population is currently 167,126, which is slightly less than last year at this time, but holding steady.

The average Unemployment Rate in Monroe County for 2017 was 5.8%, down .4% from 2016. Monroe County's current rate, 4.9%, is slightly higher than the Commonwealth's rate of 4.5%. Our civilian labor force totaled 80,800 and our Per Capita Income has increased again from \$38,043 (August 2017) to \$39,104.

According to the Center for Workforce Information and Analysis, Accommodation and Food Services continues to grow (10,386 workers) and is the largest industry sector in the County. It is followed closely by Retail Trade (9,063) and Health Care and Social Assistance is up another 100+ from last year (7,532 workers). Education dropped a bit from last year (5,245 to 5,194 workers) while Manufacturing continues to increase (4,900 workers).

Our tourism industry continues to be strong based on our proximity to major population centers and has seen significant growth over the past few years. Kalahari Resorts & Conventions broke ground on their Phase III which will add another 150,000 SF of convention center space. Exeter Properties Group will complete a 1.1 million square foot building for American Tire Distributors (ATD) in Blakeslee this fall. ATD expects to hire 80 to 100 people.

The Tobyhanna Army Depot continues to be the largest employer in Northeast Pennsylvania with about 3,388 employees and they will add about 200 more next year. Monroe County's largest private employer is Sanofi Pasteur who currently employs about 2,200. Sanofi Pasteur continues to explore expansion opportunities at their Swiftwater campus.

County of Monroe

Management's Discussion and Analysis

December 31, 2017

Economic Factors (continued)

East Stroudsburg Healthcare Center (Lehigh Valley Health Network (LVHN) - Pocono) celebrated with a ribbon cutting in February 2018. This is the newest facility offered by LVHN-Pocono and is the fourth of its kind in Monroe County.

Terrafina, LLC purchased the former Bustin Industrial Products building in East Stroudsburg and is beginning to ramp up operations. They are relocating from New York City and expect to employ approximately 100 people.

DEPG Mosier Associates continues through the development process of the Smithfield Gateway project which includes severely needed road improvements to Routes 447 and 209 and the construction of a new connector road through the project. The developer expects to break ground before the end of the year.

In April 2018, plans were announced for Pocono Springs, a \$350 million Entertainment Destination Village in Tobyhanna Township. The Pocono Springs Entertainment Village is a joint venture between JEMB Realty of New York and Denver-based Alberta Development Partners. It is expected to become one of the largest entertainment destination development projects in North America. Pocono Springs will generate over 1,200 new jobs and nearly 2,000 construction jobs in Phase 1 with a possibility of additional future phases. It is anticipated that nearly five million new visitors to the region are expected to visit the village annually.

Overall, Monroe County's economy continues to be diverse. Industry sectors such as healthcare and manufacturing are growing and competition in the hospitality industry is driving wages up. Commercial and residential real estate professionals have indicated a significant upswing in prospect activity, leasing opportunities and home sales. In 2017, the gross domestic product (GDP) of Monroe County expanded 4.1%. This follows growth of 1.6% in 2016. Manufacturing contributed the largest portion of GDP in 2017, the next largest contributions came from Real Estate/Rental/Leasing followed by Educational Services and Health Care/Social Assistance.

Next Year's Budget

The 2018 budget for Monroe County was adopted on December 15, 2017, in the amount of \$103.8 million, including a General Fund budget of \$60.7 million.

For 2018, the millage rate remained at 21.25 mills. 18.42 mills will be utilized for general purposes and 2.83 mills are designated for debt service obligations.

All nonunion employees will receive a 3% cost of living adjustment (COLA) on January 1, 2018.

The total capital budget including projects for 2018 is \$3,398,963. This includes 37% of expenditures for the County's re-assessment project.

Requests for Information

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 the County of Monroe, Pennsylvania, Office of Fiscal Affairs, One Quaker Plaza, Room 204, Stroudsburg, Pennsylvania 18360-2164.

County of Monroe, Pennsylvania

Statement of Net Position
December 31, 2017

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets and Deferred Outflows of Resources				
Cash and cash equivalents	\$ 31,405,513	\$ 2,201,080	\$ 33,606,593	\$ 1,497,197
Cash and cash equivalents - restricted	-	112,502	112,502	7,216,612
Receivables				
Grants and other	5,112,810	1,983,661	7,096,471	3,184,621
Taxes	3,898,614	-	3,898,614	-
Loan receivable from component unit	7,363,368	-	7,363,368	-
Accrued interest on loan receivable from component unit	3,814,778	-	3,814,778	-
Economic development loans receivable	-	-	-	110,000
Notes receivable - land and building projects	-	-	-	3,372,022
Notes receivable	-	-	-	3,481,611
Interfund loans receivable	2,020,659	131,547	2,152,206	-
Due from other governmental units	4,946,881	-	4,946,881	-
Due from retirement fund	43,568	-	43,568	-
Internal balances	(513,354)	513,447	93	-
Inventories	14,278	225,568	239,846	35,998
Prepaid expenses	-	70,780	70,780	40,771
Other assets	-	7,241	7,241	21,971,600
Capital assets not being depreciated	22,234,651	266,987	22,501,638	2,554,254
Capital assets being depreciated, net	22,268,854	3,972,396	26,241,250	11,572,884
Total Assets	102,610,620	9,485,209	112,095,829	55,037,570
Deferred Outflows of Resources				
Deferred charges on refunding	102,101	-	102,101	-
Related to pensions	4,331,259	-	4,331,259	-
Total Deferred Outflows of Resources	4,433,360	-	4,433,360	-

County of Monroe, Pennsylvania

Statement of Net Position (continued)
December 31, 2017

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<i>Liabilities and Net Position (Deficit)</i>				
Current Liabilities				
Lines of credit	-	-	-	117,429
Payables				
Accounts	9,712,512	996,896	10,709,408	261,070
Grants	-	-	-	2,581,306
Due to TIF districts	-	-	-	7,099,205
Accrued liabilities	767,103	1,046,970	1,814,073	4,921,227
Lot deposits	-	-	-	19,975
Unearned revenue	316,943	220,291	537,234	57,543
Construction obligations	-	-	-	-
Due to other governmental units	1,553,805	-	1,553,805	-
Current portion of				
Self-insurance claims payable	440,447	-	440,447	-
Compensated absences	233,345	-	233,345	-
Bonds and notes payable	4,831,428	5,484	4,836,912	937,489
Capital leases	68,872	30,646	99,518	-
Notes payable - land and building projects	-	-	-	3,372,022
Total Current Liabilities	17,924,455	2,300,287	20,224,742	19,367,266
Noncurrent Liabilities				
Noncurrent portion of				
Net pension liability	1,475,978	-	1,475,978	-
Compensated absences	76,465	-	76,465	9,176
Payable from restricted assets	-	112,502	112,502	-
Interfund loans payable	-	2,142,207	2,142,207	-
Loan payable to primary government	-	-	-	7,363,368
Bonds and notes payable	36,838,568	23,072	36,861,640	12,263,856
Capital leases	72,933	579,252	652,185	-
Total Noncurrent Liabilities	38,463,944	2,857,033	41,320,977	19,636,400
Total Liabilities	56,388,399	5,157,320	61,545,719	39,003,666
Deferred Inflows of Resources				
Related to pensions	5,655,772	-	5,655,772	-
Net Position				
Net investment in capital assets	20,255,846	4,210,827	24,466,673	11,281,006
Restricted				
Debt service	101,570	-	101,570	-
Capital projects	22,187	-	22,187	-
Open space purchases	284,849	-	284,849	-
Liquid fuels street improvements	607,543	-	607,543	-
Domestic relations grant programs	3,411,258	-	3,411,258	-
Adult supervisory programs	1,315,492	-	1,315,492	-
Affordable housing grant programs	743,310	-	743,310	-
County record improvement program	841,514	-	841,514	-
Other grant programs	2,738,822	-	2,738,822	-
Conservation	-	634,640	634,640	-
Industrial and economic development	-	-	-	233,311
Public works	-	-	-	896,458
Unrestricted	14,677,418	(517,578)	14,159,840	3,623,129
Total Net Position	\$ 44,999,809	\$ 4,327,889	\$ 49,327,698	\$ 16,033,904

County of Monroe, Pennsylvania

Statement of Activities

Year Ended December 31, 2017

	Program Revenues			Net (Expense) Revenue and Changes in Net Position Primary Government			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Functions/Programs							
Primary government							
Governmental activities							
General government - administrative	\$ 14,118,221	\$ 4,859,746	\$ 304,603	\$ -	\$ (8,953,872)	\$ -	\$ (8,953,872)
General government - judicial	17,294,062	4,882,510	2,065,155	-	(10,346,397)	-	(10,346,397)
General government - public safety	29,183,764	768,260	11,918,103	-	(16,497,401)	-	(16,497,401)
General government - public works	2,382,198	327,918	1,832,154	-	(222,126)	-	(222,126)
Human services	25,401,775	39,263	20,557,158	-	(4,805,354)	-	(4,805,354)
Culture and recreation	3,010,069	5,085	2,400,000	-	(604,984)	-	(604,984)
Conservation and development	2,477,253	505,973	-	-	(1,971,280)	-	(1,971,280)
Interest on long-term debt	1,439,159	-	-	-	(1,439,159)	-	(1,439,159)
Total Governmental Activities	95,306,501	11,388,755	39,077,173	-	(44,840,573)	-	(44,840,573)
Business-type activities							
Human services	14,782,892	15,090,056	26,750	-	-	333,914	333,914
Sewer and water services	182,670	133,333	-	-	-	(49,337)	(49,337)
Conservation and development	1,668,584	649,418	1,115,348	-	-	96,182	96,182
Total Business-Type Activities	16,634,146	15,872,807	1,142,098	-	-	380,759	380,759
Total Primary Government	\$ 111,940,647	\$ 27,261,562	\$ 40,219,271	\$ -	(44,840,573)	380,759	(44,459,814)
Component Units							
Industrial and economic development	\$ 13,442,779	\$ 730,994	\$ 10,149,847	\$ 1,522,976			\$ (1,038,962)
Waste management	1,465,487	1,881,795	-	-			416,308
Airport operation	1,009,660	335,099	106,395	118,442			(449,724)
Public works	1,496,803	376,449	1,144,806	-			24,452
Total Component Units	\$ 17,414,729	\$ 3,324,337	\$ 11,401,048	\$ 1,641,418			(1,047,926)
General Revenues and Transfers							
Property taxes - general levy					45,974,628	-	45,974,628
Hotel room rental tax					1,103,315	-	1,103,315
Licenses and permits					46,943	-	46,943
Interest - investment earnings and royalties					243,900	1,818	245,718
Mortgage payoffs					-	-	6,223
Miscellaneous					424,654	-	424,654
Loss on sale of assets					(25,908)	-	(25,908)
Transfers					(105,878)	55,931	(49,947)
Total General Revenues and Transfers					47,661,654	57,749	47,719,403
Changes in Net Position					2,821,081	438,508	3,259,589
Net Position, Beginning of Year, as Restated					42,178,728	3,889,381	46,068,109
Net Position, End of Year					\$ 44,999,809	\$ 4,327,889	\$ 49,327,698
							\$ 16,033,904

See accompanying notes.

County of Monroe, Pennsylvania

Balance Sheet - Governmental Funds

December 31, 2017

	General Fund	Children and Youth Fund	Capital Projects Fund	Open Space Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 17,602,261	\$ 3,788	\$ 1,627,536	\$ 333,274	\$ 11,838,654	\$ 31,405,513
Receivables, net of uncollectible accounts						
Grants and other	2,207,812	-	-	-	2,842,139	5,049,951
Taxes	3,898,614	-	-	-	-	3,898,614
Due from other funds	12,372,763	3,082,268	82	-	5,596,568	21,051,681
Due from other governmental units	69	4,923,124	-	-	23,688	4,946,881
Interfund loans receivable	963,104	-	-	-	573,037	1,536,141
Total Assets	\$ 37,044,623	\$ 8,009,180	\$ 1,627,618	\$ 333,274	\$ 20,874,086	\$ 67,888,781
Liabilities, Deferred Inflows of Resources, and Fund Balances						
Liabilities						
Accounts payable	\$ 6,020,198	\$ 1,421,658	\$ 1,605,431	\$ 10,217	\$ 776,416	\$ 9,833,920
Accrued liabilities	381,308	-	-	-	-	381,308
Due to other funds	7,677,078	6,587,522	-	38,208	8,039,710	22,342,518
Due to other governmental units	-	-	-	-	1,553,805	1,553,805
Unearned revenues	-	-	-	-	316,943	316,943
Total Liabilities	14,078,584	8,009,180	1,605,431	48,425	10,686,874	34,428,494
Deferred Inflows of Resources						
Unavailable revenue - property taxes	3,138,935	-	-	-	-	3,138,935
Fund Balances						
Nonspendable						
Interfund loans receivable	963,104	-	-	-	573,037	1,536,141
Restricted						
Debt service	-	-	-	-	101,570	101,570
Capital projects	-	-	22,187	-	-	22,187
Open space purchases	-	-	-	284,849	-	284,849
Liquid fuels street improvements	-	-	-	-	607,543	607,543
Domestic relations grant programs	-	-	-	-	3,411,258	3,411,258
Adult supervisory programs	-	-	-	-	1,315,492	1,315,492
Affordable housing grant programs	-	-	-	-	743,310	743,310
County record improvement program	-	-	-	-	841,514	841,514
Other grant programs	-	-	-	-	2,738,822	2,738,822
Committed to capital projects	568,570	-	-	-	-	568,570
Assigned to Internal Service Fund	-	-	-	-	-	-
Unassigned	18,295,430	-	-	-	(145,334)	18,150,096
Total Fund Balances	19,827,104	-	22,187	284,849	10,187,212	30,321,352
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 37,044,623	\$ 8,009,180	\$ 1,627,618	\$ 333,274	\$ 20,874,086	\$ 67,888,781

County of Monroe, Pennsylvania

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

Total Fund Balance - Governmental Funds **\$ 30,321,352**

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 44,503,505

Property taxes revenues will be collected after year end, but are not available soon enough to pay for current period expenditures and, therefore, are not recognized as revenues in the governmental funds. 3,138,935

Long-term assets applicable to the County's governmental activities are not due and collectible in the current period and accordingly are not reported as fund assets. All assets are reported in the statement of net position. Balances at December 31, 2017 are

Loan receivable from component unit	7,363,368	
Accrued interest on loan receivable from component unit	<u>3,814,778</u>	11,178,146

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in Governmental Funds, but rather is recognized as an expenditure when due. All liabilities, both current and noncurrent, are reported in the statement of net position. Balances at December 31, 2017 are

Net pension liability (net of deferred inflows and outflows of resources)	(2,800,491)	
Compensated absences	(76,465)	
Accrued interest on bonds	(385,794)	
Bonds and notes payable	(41,669,996)	
Deferred charges on refunding	102,101	
Capital leases	<u>(141,805)</u>	(44,972,450)

The assets and liabilities of the Internal Service Fund are not included in the fund financial statements, but are included in the governmental activities on the statement of net position. 830,321

Net Position of Governmental Activities **\$ 44,999,809**

County of Monroe, Pennsylvania

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
 Year Ended December 31, 2017

	General Fund	Children and Youth Fund	Capital Projects Fund	Open Space Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
Real estate taxes, net	\$ 40,591,472	\$ -	\$ -	\$ -	\$ 6,286,343	\$ 46,877,815
Licenses and permits	46,943	-	-	-	-	46,943
Intergovernmental	5,850,914	14,109,528	2,400,000	-	16,716,731	39,077,173
Charges for services	10,407,442	9,688	-	-	971,625	11,388,755
Hotel room rental tax	274,955	-	-	-	828,360	1,103,315
Investment income	179,578	-	315	3,439	60,567	243,899
Miscellaneous	219,334	-	-	-	2	219,336
Rental income	205,320	-	-	-	-	205,320
Total Revenues	57,775,958	14,119,216	2,400,315	3,439	24,863,628	99,162,556
Expenditures						
General government - administrative	15,452,062	-	-	-	170,078	15,622,140
General government - judicial	14,708,184	-	-	-	2,458,865	17,167,049
General government - public safety	22,172,296	-	-	-	6,602,550	28,774,846
General government - public works	85,762	-	-	-	2,162,786	2,248,548
Human services	534,988	18,347,312	-	-	6,646,367	25,528,667
Culture and recreation	70,000	-	2,400,000	-	466,907	2,936,907
Conservation and development	2,243,787	-	-	251,304	78,257	2,573,348
Debt service						
Principal payments	-	-	-	-	4,495,000	4,495,000
Interest and fiscal charges	-	-	-	-	1,799,483	1,799,483
Total Expenditures	55,267,079	18,347,312	2,400,000	251,304	24,880,293	101,145,988
Excess (Deficiency) of Revenues over (under) Expenditures	2,508,879	(4,228,096)	315	(247,865)	(16,665)	(1,983,432)
Other Financing Sources (Uses)						
Operating transfers in	49,310	4,228,096	-	-	873,311	5,150,717
Operating transfers out	(5,186,158)	-	-	(13,640)	(6,850)	(5,206,648)
Transfers to component units	(49,947)	-	-	-	-	(49,947)
Total Other Financing Sources (Uses)	(5,186,795)	4,228,096	-	(13,640)	866,461	(105,878)
Net Change in Fund Balances	(2,677,916)	-	315	(261,505)	849,796	(2,089,310)
Fund Balances, Beginning of Year	22,505,020	-	21,872	546,354	9,337,416	32,410,662
Fund Balances, End of Year	\$ 19,827,104	\$ -	\$ 22,187	\$ 284,849	\$ 10,187,212	\$ 30,321,352

County of Monroe, Pennsylvania

Reconciliation of the Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities
Year Ended December 31, 2017

Net Change in Fund Balances - Total Governmental Funds **\$ (2,089,310)**

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. In addition, governmental funds do not report losses from disposals of capital assets since they are fully expended in the year of acquisition. However, in the statement of activities, losses from disposals are recognized in the period the capital asset is disposed. This is the amount by which depreciation in the current period, net of loss from disposals, exceeded capital outlays.	249,105
Real estate tax revenues received after the close of the reporting period that are not considered current financial resources, thus are not reported as revenues in the governmental funds.	(903,187)
Bond and capital lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of financial position. Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduced long-term liabilities in the statement of net position. This is the amount by which repayments exceeded borrowings.	4,467,707
Interest accrued on the loan receivable from the component unit is not considered available revenue in the governmental funds. The loan receivable from the component unit increased by this amount during the year.	-
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. These items are as follows	
Change in interest expense payable	73,830
Amortization of deferred refunding loss	(24,934)
Amortization of debt premiums and discounts	311,476
Change in net deferred inflows/outflows of resources - pension	(7,317,266)
Decrease in net pension liability	8,053,658
The Internal Service Fund is used by management to charge the costs of certain activities to individual funds. The net revenue (expenses) of the Internal Service Fund is reported with governmental activities.	<u>2</u>
Change in Net Position of Governmental Activities	<u><u>\$ 2,821,081</u></u>

County of Monroe, Pennsylvania

Statement of Net Position - Proprietary Funds

December 31, 2017

	Enterprise Funds			Internal Service Fund
	Pleasant Valley Manor, Inc.	Other Enterprise Funds	Total Enterprise Funds	
Assets				
Current Assets				
Cash and cash equivalents	\$ 1,437,091	\$ 763,989	\$ 2,201,080	\$ -
Accounts receivable	1,894,656	89,005	1,983,661	62,859
Prepaid expenses	65,628	5,152	70,780	-
Inventories	217,000	8,568	225,568	14,278
Due from other funds	-	513,447	513,447	8,127,517
Interfund loans receivable	-	131,547	131,547	484,518
Total Current Assets	3,614,375	1,511,708	5,126,083	8,689,172
Noncurrent Assets				
Restricted cash and investments	112,502	-	112,502	-
Other assets	7,241	-	7,241	-
Capital assets				
Nondepreciable	9,538	257,449	266,987	-
Depreciable, net	3,178,813	793,583	3,972,396	-
Total Noncurrent Assets	3,308,094	1,051,032	4,359,126	-
Total Assets	\$ 6,922,469	\$ 2,562,740	\$ 9,485,209	\$ 8,689,172
Liabilities and Net Position				
Current Liabilities				
Accounts payable	\$ 958,358	\$ 38,538	\$ 996,896	\$ 111,938
Accrued liabilities	1,046,970	-	1,046,970	-
Accrued interest	-	-	-	-
Unearned revenue	-	220,291	220,291	-
Due to other funds	-	-	-	7,306,466
Current portion of long-term debt	5,484	-	5,484	-
Current portion of capital leases	30,646	-	30,646	-
Self-insurance claims payable	-	-	-	440,447
Total Current Liabilities	2,041,458	258,829	2,300,287	7,858,851
Noncurrent Liabilities				
Payable from restricted assets	112,502	-	112,502	-
Interfund loans payable	2,142,207	-	2,142,207	-
Long-term debt	23,072	-	23,072	-
Long-term capital leases	579,252	-	579,252	-
Total Noncurrent Liabilities	2,857,033	-	2,857,033	-
Total Liabilities	4,898,491	258,829	5,157,320	7,858,851
Net Position				
Net investment in capital assets	3,159,795	1,051,032	4,210,827	-
Restricted for conservation	-	634,640	634,640	-
Unrestricted	(1,135,817)	618,239	(517,578)	830,321
Total Net Position	2,023,978	2,303,911	4,327,889	830,321
Total Liabilities and Net Position	\$ 6,922,469	\$ 2,562,740	\$ 9,485,209	\$ 8,689,172

County of Monroe, Pennsylvania

Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds
Year Ended December 31, 2017

	Enterprise Funds			Internal Service Fund
	Pleasant Valley Manor, Inc.	Other Enterprise Funds	Total Enterprise Funds	
Operating Revenues				
Charges for services	\$ 13,588,273	\$ 782,751	\$ 14,371,024	\$ 8,014,220
Medical Assistance cost report settlement	1,501,783	-	1,501,783	-
Miscellaneous	-	-	-	1,476,461
Total Operating Revenues	15,090,056	782,751	15,872,807	9,490,681
Operating Expenses				
Services and supplies	-	182,670	182,670	9,490,679
Patient care	14,754,663	-	14,754,663	-
Conservation and development	-	1,668,584	1,668,584	-
Total Operating Expenses	14,754,663	1,851,254	16,605,917	9,490,679
Operating Income (Loss)	335,393	(1,068,503)	(733,110)	2
Nonoperating Revenues (Expenses)				
Interest income	-	1,818	1,818	-
Grants and subsidies	26,750	1,115,348	1,142,098	-
Interest expense	(28,229)	-	(28,229)	-
Total Nonoperating Revenues (Expenses)	(1,479)	1,117,166	1,115,687	-
Income Before Transfers	333,914	48,663	382,577	2
Transfers In	-	55,931	55,931	-
Change in Net Position	333,914	104,594	438,508	2
Net Position, Beginning of Year	1,690,064	2,199,317	3,889,381	830,319
Net Position, End of Year	\$ 2,023,978	\$ 2,303,911	\$ 4,327,889	\$ 830,321

County of Monroe, Pennsylvania

 Statement of Cash Flows - Proprietary Funds
 December 31, 2017

	Enterprise Funds			Internal Service Fund
	Pleasant Valley Manor, Inc.	Other Enterprise Funds	Total Enterprise Funds	
Cash Flows from Operating Activities				
Receipts from customers	\$ 15,424,592	\$ 639,211	\$ 16,063,803	\$ -
Receipts from interfund services provided	-	-	-	7,900,957
Other cash receipts	-	-	-	1,429,840
Payments to suppliers	(6,317,787)	(500,926)	(6,818,713)	(9,330,797)
Payments to employees	(7,652,137)	(469,807)	(8,121,944)	-
Interest paid	(19,728)	-	(19,728)	-
Net Cash Provided by (Used in) Operating Activities	1,434,940	(331,522)	1,103,418	-
Cash Flows from Noncapital Financing Activities				
Net operating transfers in	-	55,931	55,931	-
Subsidies and grants	(30,000)	309,100	279,100	-
Net Cash Provided by (Used in) Noncapital Financing Activities	(30,000)	365,031	335,031	-
Cash Flows from Capital and Related Financing Activities				
Net repayment on long-term debt	(154,411)	-	(154,411)	-
Borrowing of long-term debt	-	-	-	-
Other financing receipts	-	-	-	-
Purchase of fixed assets	(1,163,142)	(68,228)	(1,231,370)	-
Net Cash Used in Capital and Related Financing Activities	(1,317,553)	(68,228)	(1,385,781)	-
Cash Flows Provided by Investing Activities				
Interest income	-	1,818	1,818	-
Net Increase (Decrease) in Cash and Cash Equivalents	87,387	(32,901)	54,486	-
Cash and Cash Equivalents at Beginning of Year	1,349,704	796,890	2,146,594	-
Cash and Cash Equivalents at End of Year	\$ 1,437,091	\$ 763,989	\$ 2,201,080	\$ -
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities				
Operating income (loss)	\$ 333,914	\$ (1,012,573)	\$ (678,659)	\$ 2
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation expense	404,925	75,970	480,895	-
Noncash gain	-	(2,746)	(2,746)	-
Noncash staffing costs	-	749,930	749,930	-
Noncash contributions	-	(10,740)	(10,740)	-
Operating transfers	-	(55,931)	(55,931)	-
(Increase) decrease in assets				
Accounts receivable	307,786	1,965	309,751	46,619
Prepaid expenses	3,230	46,206	49,436	-
Inventories	(6,422)	(2,902)	(9,324)	(623)
Due from				
Other funds	-	6,561	6,561	(1,737,659)
Other governmental units	-	5,061	5,061	17,136
Other assets	(5,465)	-	(5,465)	-
Increase (decrease) in liabilities				
Accounts payable	303,842	4,757	308,599	65
Accrued liabilities	93,130	-	93,130	-
Unearned revenue	-	(137,080)	(137,080)	-
Due to other funds	-	-	-	1,833,785
Self-insurance claims payable	-	-	-	(159,325)
Net Cash Provided by (Used in) Operating Activities	\$ 1,434,940	\$ (331,522)	\$ 1,103,418	\$ -

See accompanying notes.

County of Monroe, Pennsylvania

Statement of Fiduciary Net Position - Fiduciary Funds

December 31, 2017

	<u>Employee Retirement Trust Fund</u>	<u>Agency Funds</u>	<u>Total Fiduciary Funds</u>
Assets			
Cash and cash equivalents	\$ -	\$ 19,415,014	\$ 19,415,014
Accrued interest receivable	169,484	-	169,484
Investments	<u>95,464,706</u>	-	<u>95,464,706</u>
Total Assets	<u>\$ 95,634,190</u>	<u>\$ 19,415,014</u>	<u>\$ 115,049,204</u>
Liabilities and Net Position			
Due to other funds	\$ 43,568	\$ 93	\$ 43,661
Funds held in escrow	<u>-</u>	<u>19,414,921</u>	<u>19,414,921</u>
Total Liabilities	<u>43,568</u>	<u>\$ 19,415,014</u>	<u>19,458,582</u>
Net Position			
Reserved for employees' retirement system	<u>95,590,622</u>		<u>95,590,622</u>
Total Liabilities and Net Position	<u>\$ 95,634,190</u>		<u>\$ 115,049,204</u>

County of Monroe, Pennsylvania

Statement of Changes in Fiduciary Net Position - Fiduciary Funds
Year Ended December 31, 2017

	Employee Retirement Trust Fund
Additions	
Contributions	
Employee contributions	\$ 1,707,948
Employer contributions	<u>3,020,499</u>
Total Contributions	<u>4,728,447</u>
Investment earnings	
Dividends	1,936,421
Net appreciation in fair value of investments	<u>11,224,049</u>
Total Investment Earnings	13,160,470
Investment management fees	<u>(465,830)</u>
Total Investment Earnings, Net	<u>12,694,640</u>
Total Additions	<u>17,423,087</u>
Deductions	
Benefit payments to retired plan participants	3,889,715
Refunds of employee contributions	271,463
Other expenses	<u>22,344</u>
Total Deductions	<u>4,183,522</u>
Change in Net Position	13,239,565
Net Position, Beginning of Year	<u>82,351,057</u>
Net Position, End of Year	<u><u>\$ 95,590,622</u></u>

County of Monroe, Pennsylvania

Combining Statement of Net Position - Component Units
 Year Ended December 31, 2017

	Monroe County Industrial Development Authority	Pocono Mountains Industrial Park Authority	Pocono Mountains Industries, Inc.	Monroe County Municipal Waste Management Authority	Pocono Mountains Municipal Airport Authority	Redevelopment Authority of Monroe County	Total Component Units
Assets							
Cash and cash equivalents	\$ 81,343	\$ 73,685	\$ 214,949	\$ 245,208	\$ 122,856	\$ 759,156	\$ 1,497,197
Cash and cash equivalents - restricted	7,216,612	-	-	-	-	-	7,216,612
Receivables							
Grants and other	1,860,461	946,189	132,813	203,403	18,822	22,933	3,184,621
Related-party component units	3,348	149,622	-	-	-	-	152,970
Economic development loans receivable	-	-	-	-	-	110,000	110,000
Notes receivable - land and building projects	-	-	3,372,022	-	-	-	3,372,022
Note receivable	676,804	2,804,807	-	-	-	-	3,481,611
Interfund loans receivable	-	-	-	-	-	37,504	37,504
Inventories	-	-	-	-	30,541	5,457	35,998
Prepaid expenses	5,879	18,725	-	-	525	15,642	40,771
Other assets	556	7,814	21,419,018	544,212	-	-	21,971,600
Capital assets not being depreciated	-	-	-	170,000	2,384,254	-	2,554,254
Capital assets being depreciated, net	2,636	686,440	50,558	2,300,306	8,522,138	10,806	11,572,884
Total Assets	9,847,639	4,687,282	25,189,360	3,463,129	11,079,136	961,498	55,228,044

County of Monroe

Combining Statement of Net Position - Component Units (continued)
Year Ended December 31, 2017

	Monroe County Industrial Development Authority	Pocono Mountains Industrial Park Authority	Pocono Mountains Industries, Inc.	Monroe County Municipal Waste Management Authority	Pocono Mountains Municipal Airport Authority	Redevelopment Authority of Monroe County	Total Component Units
Liabilities and Net Position							
Current Liabilities							
Line of credit	-	-	-	117,429	-	-	117,429
Payables							
Accounts	838	220,730	4,497	22,573	9,347	3,085	261,070
Grants	1,840,646	740,660	-	-	-	-	2,581,306
Related-party component units	32,552	-	120,418	-	-	-	152,970
Due to TIF districts	7,099,205	-	-	-	-	-	7,099,205
Accrued liabilities	-	-	4,877,864	43,363	-	-	4,921,227
Lot deposits	-	-	-	19,975	-	-	19,975
Unearned revenue	-	-	-	-	45,790	11,753	57,543
Construction obligations	-	-	-	-	-	-	-
Interfund payable	-	-	-	-	-	37,504	37,504
Current portion of							
Bonds and notes payable	-	132,755	236,495	515,155	53,084	-	937,489
Notes payable - land and building projects	-	-	3,372,022	-	-	-	3,372,022
Total Current Liabilities	8,973,241	1,094,145	8,611,296	718,495	108,221	52,342	19,557,740
Noncurrent Liabilities							
Noncurrent portion of							
Compensated absences	-	-	-	7,284	-	1,892	9,176
Loan payable to primary government	-	-	7,363,368	-	-	-	7,363,368
Bonds and notes payable	-	2,950,479	7,035,484	2,018,989	258,904	-	12,263,856
Total Noncurrent Liabilities	-	2,950,479	14,398,852	2,026,273	258,904	1,892	19,636,400
Total Liabilities	8,973,241	4,044,624	23,010,148	2,744,768	367,125	54,234	39,194,140
Net Position							
Net investment in capital assets	2,636	686,440	50,558	(63,838)	10,594,404	10,806	11,281,006
Restricted for other purposes	233,311	-	-	-	-	896,458	1,129,769
Unrestricted	638,451	(43,782)	2,128,654	782,199	117,607	-	3,623,129
Total Net Position	\$ 874,398	\$ 642,658	\$ 2,179,212	\$ 718,361	\$ 10,712,011	\$ 907,264	\$ 16,033,904

County of Monroe, Pennsylvania

Combining Statement of Activities - Component Units
Year Ended December 31, 2017

	Net (Expense) Revenue and Changes in Net Position										
	Program Revenues				Monroe County Industrial Development Authority	Pocono Mountains Industrial Park Authority	Pocono Mountains Industries, Inc.	Monroe County Municipal Waste Management Authority	Pocono Mountains Municipal Airport Authority	Redevelopment Authority of Monroe County	Totals
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions							
Component Units											
Industrial and economic development											
Monroe County Industrial Development Authority	\$ 10,078,927	\$ 95,289	\$ 9,810,347	\$ -	\$ (173,291)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (173,291)
Pocono Mountains Industrial Park Authority	2,321,669	556,991	152,118	1,500,000	-	(112,560)	-	-	-	-	(112,560)
Pocono Mountains Industries, Inc.	1,042,183	78,714	187,382	22,976	-	-	(753,111)	-	-	-	(753,111)
Waste management											
Monroe County Municipal Waste Management Authority	1,465,487	1,881,795	-	-	-	-	-	416,308	-	-	416,308
Airport operation											
Pocono Mountains Municipal Airport Authority	1,009,660	335,099	106,395	118,442	-	-	-	-	(449,724)	-	(449,724)
Public works											
Redevelopment Authority of Monroe County	1,496,803	376,449	1,144,806	-	-	-	-	-	-	24,452	24,452
Total Component Units	\$ 17,414,729	\$ 3,324,337	\$ 11,401,048	\$ 1,641,418	(173,291)	(112,560)	(753,111)	416,308	(449,724)	24,452	(1,047,926)
General Revenues											
Interest - investment earnings and royalties					2,230	2	242	420	108	2,379	5,381
Mortgage payoffs					-	-	-	-	-	6,223	6,223
Miscellaneous					2,340	242	91,000	-	16,424	50,214	160,220
Loss on sale of assets					-	-	-	-	(30,555)	-	(30,555)
Total General Revenues					4,570	244	91,242	420	(14,023)	58,816	141,269
Changes in Net Position					(168,721)	(112,316)	(661,869)	416,728	(463,747)	83,268	(906,657)
Net Position, Beginning of Year					1,043,119	754,974	2,841,081	301,633	11,175,758	823,996	16,940,561
Net Position, End of Year					\$ 874,398	\$ 642,658	\$ 2,179,212	\$ 718,361	\$ 10,712,011	\$ 907,264	\$ 16,033,904

County of Monroe, Pennsylvania

Notes to Financial Statements

December 31, 2017

Note 1 - Reporting Entity

The County of Monroe (the County) was formed in 1836 and operates under the direction of an elected Board of Commissioners. The County provides general administrative services, tax assessment and collection, judicial, public improvements, public safety and human services.

As required by generally accepted accounting principles, the financial statements present the County of Monroe (the primary government) and its component units. The component units (discussed below) are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Consistent with guidance contained in Governmental Accounting Standards Board (GASB) Statement No. 61, the criteria used by the County to evaluate the possible inclusion of related entities (authorities, boards, councils, and similar entities) within its reporting entity, are: legally separate, financial accountability, misleading to exclude, and the nature and significance of other considerations.

Based on the foregoing criteria, the reporting entity has been defined to include all the fund types and component units for which the County is financially accountable or for which there is a significant relationship. The component units discussed below are included in the County's reporting entity because of the significance of their financial and operational relationships with the County. All component units have December 31, 2017 year ends.

Blended Component Units

In accordance with accounting principles generally accepted in the United States of America, the financial statements of the following entities have been included in the financial reporting entity of the County as blended component units in the Enterprise Funds:

Pleasant Valley Manor, Inc. (the Manor)

The Manor is a nonprofit Pennsylvania corporation, without shareholders, that operates a 174-bed nursing home for individuals, primarily residents of Monroe County who qualify for public assistance under the Medical Assistance Program.

Monroe County, the Manor, and the Pennsylvania Department of Human Services, by agreement dated December 12, 1984, settled various administrative appeals and court actions. Part of the settlement included recognizing Pleasant Valley Manor, Inc. as a county home retroactive to July 1, 1981. The County effectively controls the Manor as the three standing Commissioners form a majority of the five-member board of trustees.

Monroe County Conservation District (the District)

The Monroe County Conservation District was organized on September 2, 1947, for the purpose of conserving the soil and water resources of Monroe County through the cooperative efforts of the citizens of Monroe County.

Note 1 - Reporting Entity (continued)

Blended Component Units (continued)

Monroe County Conservation District (the District) (continued)

All members of the governing board of the Monroe County Conservation District are appointed by the Board of County Commissioners. The Board of County Commissioners pays the salaries of the Monroe County Conservation District's staff and their benefits directly. The Board of County Commissioners has issued general obligation debt for the purpose of renovating the Monroe County Conservation District's office building.

Complete and more detailed financial statements for the individual blended component units can be obtained from their administrative offices as follows:

Pleasant Valley Manor, Inc.
4227 Manor Drive
Stroudsburg, PA 18360

Monroe County Conservation District
8050 Running Valley Road
Stroudsburg, PA 18360

Discretely Presented Component Units

Component units which are not blended as part of the primary government are discretely presented, which entails reporting component unit financial data in a column separate from the financial data of the primary government. The component units presented in this way include the following:

Monroe County Industrial Development Authority

The 11 members of the governing board of the Monroe County Industrial Development Authority are appointed by the Board of County Commissioners. The County provides financial support through appropriations.

Pocono Mountains Industrial Park Authority

The 11 members of the governing board of the Pocono Mountains Industrial Park Authority are appointed by the Board of County Commissioners. The County provides financial support through appropriations.

Pocono Mountains Industries, Inc.

The 11 members of the governing board of Pocono Mountains Industries, Inc. are appointed by the Board of County Commissioners. The County provides financial support through appropriations.

Note 1 - Reporting Entity (continued)

Discretely Presented Component Units (continued)

Monroe County Municipal Waste Management Authority

The ten members of the governing board of the Monroe County Municipal Waste Management Authority are appointed by the Board of County Commissioners. The County guarantees the general obligation debt of the Monroe County Municipal Waste Management Authority.

Pocono Mountains Municipal Airport Authority

The nine members of the governing board of the Pocono Mountains Municipal Airport Authority are appointed by the Board of County Commissioners. The County retains the right to approve any future plans and has the sole right to amend the bylaws of the Pocono Mountains Municipal Airport Authority.

Redevelopment Authority of Monroe County

The five members of the governing board of the Monroe County Redevelopment Authority are appointed by the Board of County Commissioners. The County provides financial support through grant funding. The County also guarantees the general obligation debt of the Monroe County Redevelopment Authority.

Complete and more detailed financial statements for the individual component units can be obtained from their administrative offices as follows:

Monroe County Industrial Development Authority
566 Main Street
Stroudsburg, PA 18360

Pocono Mountains Industrial Park Authority
566 Main Street
Stroudsburg, PA 18360

Pocono Mountains Industries, Inc.
566 Main Street
Stroudsburg, PA 18360

Monroe County Municipal Waste Management Authority
912 Main Street, Suite 203
Stroudsburg, PA 18360

Pocono Mountains Municipal Airport Authority
Route 611
Mt. Pocono, PA 18344

Redevelopment Authority of Monroe County
701 Main Street, Suite 502
Stroudsburg, PA 18360

County of Monroe, Pennsylvania

Notes to Financial Statements

December 31, 2017

Note 1 - Reporting Entity (continued)

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 the appointments. These organizations include:

- Monroe County Hospital Authority
- Monroe County Housing Authority
- Monroe County Railroad Authority
- Monroe County Transportation Authority

Joint Venture

The County has entered into various agreements for the provision of services to the member counties. The County's joint ventures are as follows:

Carbon/Monroe/Pike Mental Health and Developmental Services

Monroe County has entered into an agreement with Carbon and Pike Counties for the provision of Mental Health/Intellectual Disability services. The governing board consists of the nine County Commissioners involved in the agreement. This board, on an annual basis, sets the amount of the contribution required from each participating county.

Condensed financial information for this joint venture is as follows as of and for the year ended June 30, 2017:

Assets	\$ 3,214,068
Liabilities	<u>3,134,108</u>
Net Assets	<u>\$ 79,960</u>
Revenues	\$ 15,693,535
Expenditures	(17,005,317)
Transfers	<u>1,281,912</u>
Net Decrease in Net Position	<u>\$ (29,870)</u>

Complete and more detailed financial information is available by contacting Carbon/Monroe/Pike Mental Health and Developmental Services, Sarah Street, Stroudsburg, Pennsylvania 18360.

County of Monroe, Pennsylvania

Notes to Financial Statements

December 31, 2017

Note 1 - Reporting Entity (continued)

Joint Venture (continued)

Carbon/Monroe/Pike Drug & Alcohol Commission, Inc.

Monroe County has entered an agreement with Carbon and Pike Counties for the provision of drug and alcohol services. The governing board consists of the nine County Commissioners involved in the agreement. This board, on an annual basis, sets the amount of the contribution required from each participating county.

Condensed financial information for this joint venture is as follows as of and for the year ended June 30, 2017:

Assets	\$ 699,007
Liabilities	<u>119,791</u>
Net Assets	<u>\$ 579,216</u>
Revenues	\$ 2,647,711
Expenditures	<u>(2,492,176)</u>
Net Increase in Net Position	<u>\$ 155,535</u>

Complete and more detailed financial information is available by contacting Carbon/Monroe/Pike Drug & Alcohol Commission, Inc., Sixth Street, Stroudsburg, Pennsylvania 18360.

Note 2 - Summary of Significant Accounting Policies

The accompanying financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) applicable to governmental units, as prescribed by the Governmental Accounting Standards Board. The following is a summary of the more significant policies.

Government-Wide Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all the nonfiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from the business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

Note 2 - Summary of Significant Accounting Policies (continued)

Government-Wide Financial Statements (continued)

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

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements rather than reported as expenditures. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements rather than as another 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 expenditures.

For the most part, the effect of interfund activity has been eliminated from these statements. Activities between component units and the primary government are generally reported as external transactions. The balances of the Internal Service Fund are reported as governmental activities on the statement of net position.

Separate fund 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.

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 funds and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow. Property taxes are recognized in 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.

In the government-wide statement of net position and statement of activities, the component units are presented using the accrual basis of accounting.

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. For this purpose, the County considers revenues to be available if they are collected within 180 days of the end of the current fiscal period with the exception of taxes, which must be received within 60 days of year end to be deemed available. Expenditures generally are recorded when a liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a liability when expected to be paid with expendable available financial resources.

Note 2 - Summary of Significant Accounting Policies (continued)

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

In applying the susceptible-to-accrual concept to intergovernmental revenues, there are essentially two types of revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the County; therefore, revenues are recognized based upon the expenditures incurred. In the other, monies are virtually unrestricted and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reported as revenues at the time of receipt or earlier if the susceptible-to-accrual criteria are met. Licenses, operating and capital grants, and interest earnings 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 cash is received by the County.

The County reports unavailable revenues on its Governmental Funds balance sheet. Unavailable revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unavailable revenues also arise when resources are received before the County 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 unavailable revenue is removed from the balance sheet and revenue is recognized.

In the fund financial statements, financial transactions and accounts of the County are organized and operated on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity with a self-balancing set of accounts recording cash and/or other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Fund financial statements for the primary government's governmental, proprietary, and fiduciary funds are presented after the government-wide financial statements. These statements display information about major funds individually and nonmajor funds in the aggregate for governmental and enterprise funds.

Governmental Funds

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 a period.

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

Note 2 - Summary of Significant Accounting Policies (continued)

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

Governmental Funds (continued)

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended rather than as fund assets. The proceeds of long-term debt are recorded as another financing source rather than 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 made.

Proprietary Funds

The County's enterprise funds and internal service fund are proprietary funds. In the fund financial statements, proprietary funds are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when incurred. 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 the fund's activity are included on the fund's statement of net position. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net position.

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. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

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

Fiduciary Funds

The County's fiduciary funds are presented in the fund financial statements by type. Since, by definition, these assets are being held for the benefit of a third-party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements. The fiduciary fund statements include financial information for the Employee Retirement Trust Fund and agency funds. The agency funds of the County primarily represent assets held by the County in a custodial capacity for other individuals or governments.

The determination of major funds is based on minimum criteria as set forth in pronouncements issued by the GASB. In addition, the County may elect to report any government or enterprise fund as a major fund if the County believes that the fund is particularly important to the financial statement users. The non-major funds are combined in a column in the fund financial statements.

Note 2 - Summary of Significant Accounting Policies (continued)

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

The following are the County's major governmental funds:

General Fund - is the primary government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues of this fund are primarily derived from real estate taxes, state and federal grants, and fees for services. Many of the basic activities of the County are accounted for in this fund, including operation of general county government, boards, commissioners, the court system, and health and welfare services.

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 parties.

Capital Projects Fund - accounts for the financial resources used for the acquisition and capital construction of major capital facilities other than those financed by the proprietary funds.

Open Space Fund - used to account for financial resources to be used for the acquisition of open space.

The County reports the following major proprietary funds:

Pleasant Valley Manor, Inc. - accounts for the fiscal activities of the nursing home that are financed and operated in a manner similar to private business enterprises, where the intent of the governing board is that costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges and cost reimbursement plans.

Additionally, the County reports the following other funds:

Internal Service Fund - is maintained to account for and finance services and commodities furnished exclusively for the user offices, departments and other agencies and funds of the County on a cost reimbursement basis.

Employee Retirement Trust Fund - accounts for the revenue (i.e., member contributions, County contributions, and net investment income) and the expenses (i.e., contributions refunded, retirement allowance, and death benefits paid) of the Employee Retirement Trust Fund.

Agency Funds - consist of restricted revenues of the various row offices of the County. The row office funds, in essence, are 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.

Note 2 - Summary of Significant Accounting Policies (continued)

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

Cash and Cash Equivalents

For purposes of accompanying statement of cash flows, the County considers all highly liquid investments (including restricted assets) with original maturities of three months or less that do not have significant withdrawal restrictions to be cash equivalents.

Accounts and Other Receivables

Accounts and other receivables are reported net of an allowance for uncollectible amounts, as applicable. Accounts and other receivables are evaluated for collectability and an allowance is established, as deemed necessary, based on the best information available and in an amount management believes is adequate. Accounts receivable and other receivables are written off when deemed uncollectible. Recoveries of accounts and other receivables previously written off are recorded when received.

Investments

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

Interfund Receivable 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."

Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it, which 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.

Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets, are recorded as expenditures of the governmental funds in the fund financial statements, assets of the proprietary funds in the fund financial statements and assets in the government-wide financial statements. Capital assets with initial, individual costs that equal or exceed \$5,000 and estimated useful lives of over one year are recorded as capital assets. Capital assets are recorded at historical cost or estimated historical costs if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

Note 2 - Summary of Significant Accounting Policies (continued)

Capital Assets (continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized. Major outlays 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 primary government are depreciated using the straight-line method over the following useful lives:

Building improvements	10 to 40 years
Machinery and equipment	5 to 40 years
Infrastructure	40 years

Compensated Absences

County policy permits employees to accumulate a limited amount of earned, but unused vacation. These benefits are payable to employees upon separation of services. All vacation pay is accrued when incurred in the government-wide and proprietary funds financial statements. The amount of vacation pay expected to be paid in the next fiscal year is recorded in the governmental funds financial statements since these future payments will require current financial resources.

Sick pay does not vest and, therefore, no accrual is recorded in the financial statements.

Long-Term Obligations

In the government-wide financial statements and proprietary funds 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 funds statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bond discounts and bond issuance costs are reported as other assets and bond premiums are reported as long-term liabilities.

In the fund financial statements, governmental funds 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.

Note 2 - Summary of Significant Accounting Policies (continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has two items that qualify for reporting in this category. Accordingly, the item, deferred charges on refunding, is reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The item, deferred outflows related to pensions, is reported in the government-wide statement of net position. This amount is deferred and recognized as an outflow of resources in the period that the amounts become available.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has only one type of item, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet.

The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Use of Estimates

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

Net Position Classifications

The government-wide and business-type activities 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.

Note 2 - Summary of Significant Accounting Policies (continued)

Net Position Classifications (continued)

Unrestricted Net Position - This category represents net position of the County not restricted for any project or other purpose.

Fund Balance Classifications

Fund balances for governmental fund types are classified in the following categories:

Nonspendable - Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

Restricted - Amounts that can be spent only for specific purposes because of state or federal laws or externally imposed conditions by grantors or creditors.

Committed - Amounts that can be used only for specific purposes determined by a formal action by the Board of Commissioners

Assigned - Amounts that are intended to be used for a specific purpose, as expressed by the Board of Commissioners or by an official or body to which the Board of Commissioners delegates the authority.

Unassigned - All amounts not included in other spendable classifications.

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. When committed, assigned, or unassigned amounts are available for its use, it is the County's policy to use resources in the following order: committed; assigned; unassigned. In the event that unassigned fund balance becomes zero, then assigned and committed fund balances are used in that order.

Recent Accounting Pronouncements

The County adopted the provisions of GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pensions*, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, GASB Statement No. 80, *Blending Requirements for Certain Component Units - an Amendment of GASB Statement No. 14*, GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, GASB Statement No. 82, *Pension Issues - an Amendment of GASB Statements No. 67, No. 68, and No. 73*. The adoption of these statements did not affect amounts previously reported by the County.

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This statement establishes guidance for determining the timing and pattern of recognition for liabilities and deferred outflows of resources related to certain asset retirement obligations. Statement No. 83 is effective for periods beginning after June 15, 2018.

Note 2 - Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements (continued)

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This statement amends criteria for identifying fiduciary activities and clarifies whether and how business-type activities should report their fiduciary activities. Statement No. 84 is effective for periods beginning after December 15, 2018.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The objective of this statement is to address practice issues that have been identified during implementation and application of certain GASB statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits. GASB Statement No. 85 is effective for periods beginning after June 15, 2017.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources, resources other than the proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. GASB Statement No. 86 is effective for periods beginning after June 15, 2017.

In June 2017, the GASB issued Statement No. 87, *Leases*. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. GASB Statement No. 87 is effective for periods beginning after December 15, 2019.

In March 2018, the GASB issued Statement No 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this statement are effective for reporting periods beginning after June 15, 2018.

The County is currently evaluating what effect the adoption of GASB Statements No. 83 through 88 will have on its financial statements.

Note 2 - Summary of Significant Accounting Policies (continued)

Component Units - Summary of Significant Accounting Policies

Related Entities

Monroe County Industrial Development Authority (MCIDA), Pocono Mountains Industrial Park Authority (PMIPA) and Pocono Mountains Industries, Inc. (PMI) are related entities. All three entities are served by the same executive director and members of the governing board. The three entities work together to serve new and existing businesses in Monroe County and therefore incur similar expenses. Management's policy is to charge expenses directly to each entity whenever possible; however, certain expenses relate to more than one entity, and, accordingly, those expenses are allocated between the entities.

Pleasant Valley Manor, Inc. (the Manor)

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with a maturity of three months or less, excluding amounts whose use is limited by board designation or other arrangements under trust agreements or with third-party payors.

Accounts Receivable

The Manor extends credit in the normal course of business to its residents and performs ongoing credit evaluations to those residents. Trade accounts receivable are reported net of an allowance for doubtful accounts to reserve for potential uncollectible amounts. Receivables are generally due thirty days after billed. The allowance for doubtful accounts is estimated based upon collectability of delinquent accounts, generally those accounts that are three months or more past due. Receivables are charged off against the allowance when, in the judgment of management, it is unlikely they will be collected.

Inventories

Inventories are valued at the lower of cost or realizable value on the first-in, first-out (FIFO) basis and consist primarily of nursing and other department supplies. Historical costs have been estimated for a number of relatively minor items whose prices were not readily determinable from current invoices.

Income Taxes

The Manor received a letter from the Internal Revenue Service on January 17, 1975, recognizing it as exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in these financial statements.

The Manor has reviewed the impact of accounting for uncertainty in income taxes (FASC 740-10-05) on the financial statements and has determined there is no material uncertain tax positions or unrecognized tax benefits and there is no material impact on the statements of net position, revenues, expenditures and changes in fund net position, or cash flows.

Note 2 - Summary of Significant Accounting Policies (continued)

Component Units - Summary of Significant Accounting Policies (continued)

Pleasant Valley Manor, Inc. (the Manor) (continued)

Capital Assets

The Manor follows the practice of capitalizing all expenditures for land, buildings, and equipment in excess of \$500. The fair value of donated assets is similarly capitalized. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Depreciation is provided over the estimated useful lives of the assets on the straight-line basis as follows:

Land improvements	5 to 20 years
Buildings	5 to 40 years
Equipment	
Fixed	3 to 25 years
Movable	3 to 20 years
Transportation	4 to 5 years

Resident Funds

The Manor serves as custodian of the residents' personal finances. The monies are kept on deposit in an interest bearing account and disbursed to or for the residents as they may require and as the Medical Assistance regulations allow.

Net Resident Service Revenues

Resident service revenues are recorded at estimated net realizable amounts from residents, third-party payors, and others for services rendered. Revenue under third-party payor agreements is subject to audit and retroactive adjustment. Provisions for estimated third-party payor settlements are provided in the period the related services are rendered. Differences between estimated amounts accrued and interim and final settlements are reported in operations in the year of settlement. A majority of the Manor's third-party revenues are received through contractual agreements with the Medical Assistance and Medicare programs. Payments are currently received from both programs on a prospective basis with no anticipated end of year settlement.

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

Medical Assistance

Nursing services provided to Medical Assistance program beneficiaries are paid at prospectively determined rates per day. For the year ended December 31, 2017, approximately 59% of net revenues from operations was earned from services provided to Medical Assistance program beneficiaries.

Note 2 - Summary of Significant Accounting Policies (continued)

Component Units - Summary of Significant Accounting Policies (continued)

Pleasant Valley Manor, Inc. (the Manor) (continued)

Net Resident Service Revenues (continued)

Medicare

Nursing and ancillary services rendered to Medicare Part A beneficiaries are paid at prospectively determined rates per day. These rates vary according to a resident classification system that is based on clinical, diagnostic, and other factors and the reimbursement methodology is subject to various limitations and adjustments. In addition, the Manor is reimbursed for therapy services provided to Medicare part B beneficiaries at the lesser of a published fee schedule or actual charges. For the year ended December 31, 2017, approximately 28% of net revenues from operations were earned from services provided to Medicare Part A and B beneficiaries.

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

The Manor has a policy of providing charity care to residents who are unable to pay the full private pay rate. These services amounted to \$2,640,413 in 2017, when measured at the Manor's direct and indirect costs. Charity care was estimated taking a ratio of gross charges and multiplying that ratio by the gross uncompensated charges related to charity residents.

Monroe County Conservation District (the District)

Cash and Cash Equivalents

Cash and cash equivalents include all certificates of deposit and other time deposits that do not have significant withdrawal restrictions.

Inventory

Inventory is valued at the lower of cost or market, with cost determined on the first-in, first-out method.

Capital Assets

The District provides for depreciation using the straight-line method. The land and the collection, comprised of stuffed animal mounts, are not depreciated in accordance with generally accepted accounting standards.

Note 2 - Summary of Significant Accounting Policies (continued)

Component Units - Summary of Significant Accounting Policies (continued)

Monroe County Conservation District (the District) (continued)

Capital Assets (continued)

Rates used to compute depreciation are based on the following estimated useful lives:

Building	39 years
Equipment	5 to 10 years
Furniture	7 to 10 years
Vehicles	5 years

Operating and Nonoperating Items

The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's principal ongoing operations. The principal operating revenues of the District are fees charged for membership, educational programs, environmental fees and permit charges, and sales of bookstore items. Operating expenses include program costs, administrative expenses, and depreciation on capital assets. Nonoperating revenues include interest income, capital grants, and subsidies. There are nonoperating expenses.

Monroe County Industrial Development Authority (MCIDA)

Cash and Cash Equivalents

It is MCIDA's policy to classify all checking and savings accounts, time deposits, and any investments in money funds negotiated at \$1 that do not have significant withdrawal restrictions as cash and cash equivalents.

Allowance for Uncollectible Accounts

MCIDA uses the direct write-off method, which is not significantly different from the allowance method.

Capital Assets

Capital assets are recorded at cost. Upon sale or retirement, the cost and related accumulated depreciation are eliminated from the respective accounts, and the resulting gain or loss is included in the results of operations. MCIDA provides for depreciation using the declining balance method. Rates used to compute depreciation are based on the following estimated useful lives:

Furniture and fixtures	7 years
Computer equipment	5 years
Marketing equipment	5 years

Note 2 - Summary of Significant Accounting Policies (continued)

Component Units - Summary of Significant Accounting Policies (continued)

Monroe County Industrial Development Authority (MCIDA) (continued)

Capital Assets (continued)

Maintenance and repair expenditures that do not increase the useful lives of the assets are charged to expense when incurred.

Operating and Nonoperating Items

MCIDA distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and administering programs in connection with MCIDA's principal ongoing operations. The principal operating revenues of MCIDA are fees and grants. MCIDA's principal operating expenses include compensation and fringe benefits, marketing, and grant costs.

Pocono Mountains Industrial Park Authority (PMIPA)

Cash and Cash Equivalents

It is PMIPA's policy to classify all checking and savings accounts, time deposits, and any investments in money funds negotiated at \$1 that do not have significant withdrawal restrictions as cash and cash equivalents.

Accounts Receivable

PMIPA uses the allowance for uncollectible accounts method to record uncollectible accounts receivable based on management's collection experience.

Capital Assets

Capital assets are recorded at cost. Upon sale or retirement, the cost and related accumulated depreciation are eliminated from the respective accounts, and the resulting gain or loss is included in the results of operations. PMIPA provides for depreciation using the straight-line and declining-balance methods. Rates used to compute depreciation are based on the following methods and estimated useful lives:

Classification	Method	Years
Equipment	Declining-balance	5 to 7 years
Sewer plant	Straight-line	25 years
Pre-treatment facility	Straight-line	40 years

Maintenance and repair expenditures that do not increase the useful lives of the assets are charged to expense when incurred.

Note 2 - Summary of Significant Accounting Policies (continued)

Component Units - Summary of Significant Accounting Policies (continued)

Pocono Mountains Industrial Park Authority (PMIPA) (continued)

Operating and Nonoperating Items

PMIPA distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and administering programs in connection with PMIPA's principal ongoing operations. The principal operating revenues of PMIPA are sewer user charges, fee income, project and grant revenues, and EBU fees. The principal operating expenses are comprised of administrative and park operations, which include compensation and fringe benefits, sewer fees, maintenance and repairs of the sewer system, and project and grant costs.

Concentration of Credit Risk

PMIPA generates revenue by assessing user fees upon its sewer customers, all of which are located in either Pocono Mountains Corporate Center South or Pocono Mountains Corporate Center East.

Pocono Mountains Industries, Inc. (PMI)

Cash and Cash Equivalents

It is PMI's policy to classify all checking and savings accounts, time deposits, and any investments in money funds negotiated at \$1 that do not have significant withdrawal restrictions as cash and cash equivalents.

Income Taxes

The Internal Revenue Service has approved PMI as a tax-exempt organization under Internal Revenue Code Section 501(c)(6). As such, PMI is exempt from income tax and must file a Form 990 annually.

Capital Assets

Capital assets are recorded at cost. Upon sale or retirement, the cost and related accumulated depreciation are eliminated from the respective accounts, and the resulting gain or loss is included in the results of operations. Depreciation of capital assets is provided by charges to expenses in amounts estimated to recover their cost over their estimated useful lives. Rates used to compute depreciation are based on the following methods and estimated useful lives:

Classification	Method	Years
Computer equipment	Straight-line	5 years
Building	Straight-line	39 years
Furniture	Declining-balance	5 to 7 years

Maintenance and repair expenditures that do not increase the useful lives of the assets are charged to expense when incurred.

Note 2 - Summary of Significant Accounting Policies (continued)

Component Units - Summary of Significant Accounting Policies (continued)

Pocono Mountains Industries, Inc. (PMI) (continued)

Operating and Nonoperating Items

PMI distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and administering programs in connection with PMI's principal ongoing operations. The principal operating revenues of PMI are land sales and grant income. The principal operating expenses are comprised of costs directly related to land sales, compensation and fringe benefits, and grant expenses.

Change in Estimate

During 2017, PMI determined that there would be no further development to Pocono Mountains Corporate Center East and Pocono Mountains Corporate Center South. Accordingly, effective for 2017, PMI no longer reports construction obligations on the statement of net position.

Monroe County Municipal Waste Management Authority (MWMA)

Cash and Cash Equivalents

The Pennsylvania Municipal Authorities Act requires all monies of MWMA, from whatever source derived, be paid to the treasurer of MWMA, who currently uses accounts for daily operating activities. For purposes of the statement of cash flows, MWMA considers all highly liquid debt instruments with a maturity date of three months or less to be cash equivalents.

Accounts Receivable

Disposal of waste is carried on with various disposal facilities covered by contracts. Remittance for municipal solid waste, construction and demolition waste, and sewage sludge is made once a month. No allowance for doubtful accounts is made because there is no material uncertainty for collectability.

Capital Assets

Capital assets are stated at cost. The costs of additions and improvements are capitalized and expenditures for repairs and maintenance are expensed when incurred.

Depreciation is calculated using the straight-line method over the estimated useful lives as follows:

Building	40 years
Office furniture and equipment	5 to 7 years
Equipment	5 to 10 years
Vehicles and trailers	7 to 10 years
Land improvements	15 years

Note 2 - Summary of Significant Accounting Policies (continued)

Component Units - Summary of Significant Accounting Policies (continued)

Monroe County Municipal Waste Management Authority (MWMA) (continued)

Operating and Nonoperating Items

Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with principal ongoing operations. The principal operating revenues for MWMA are administrative fees, sale of materials, and operating grants. Operating expenses for MWMA include the cost of sales and services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Pocono Mountains Municipal Airport Authority (PMMA)

Cash and Cash Equivalents

Cash and cash equivalents include all temporary cash investments purchased with a maturity of three months or less.

Accounts Receivable

PMMA grants credit to its customers. It is PMMA's policy to examine its receivable listing at the end of each year. A determination is then made as to the collectability of outstanding receivables on a case-by-case basis. If appropriate, PMMA specifically identifies certain receivables as uncollectible.

Inventory

Inventory consists of fuel oil, gasoline, and other petroleum products held for sale. Inventory is stated at cost determined using the first-in/first-out method.

Capital Assets

All capital assets purchased by PMMA are shown at historical cost. Capital assets contributed to PMMA are shown at estimated fair market value, as determined by management, at the date of contribution. During 2000, land, buildings, runway improvements, and equipment were conveyed to PMMA. At that time, management estimated the value of buildings and equipment is based on an insurance appraisal performed during the same year; the value of land was determined based on the price per acre of adjoining, comparable land sold during 2000 and 2001; and the value of the runway improvements was based on the cumulative amount of grants received from governmental sources used for runway improvements, which would have to be repaid in the event that the property is not operated as a public airport.

Expenditures that significantly extend the life of an asset are capitalized. All other repair and maintenance expenditures are charged to expense as incurred. Interest is capitalized on construction projects until the projects are substantially complete.

Note 2 - Summary of Significant Accounting Policies (continued)

Component Units - Summary of Significant Accounting Policies (continued)

Pocono Mountains Municipal Airport Authority (PMMA) (continued)

Capital Assets (continued)

Depreciation is calculated using the straight-line method over the useful life of the assets as follows:

Runway improvements	25 years
Buildings and improvements	40 years
Equipment	5 to 10 years

Operating Revenues and Expenses

PMMA distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with PMMA's principal ongoing operations. The principal operating revenues of PMMA are sales of fuel and rentals of hangars and space in the airport office. PMMA's principal operating expenses include the cost of fuel, staffing costs, repairs and maintenance of the airport property, professional fees, and depreciation. Nonoperating revenues consist of grant income, gain on disposal of capital assets, and interest income. Nonoperating expenses consist of interest expense and loss on disposal of capital assets.

Restricted Assets

PMMA uses proceeds of grants to pay for purchases of capital assets and improvements to facilities. These resources are classified as restricted assets because their use is limited by grant agreements. When both restricted and unrestricted resources are available for use, it is PMMA's policy to use restricted funds first, then unrestricted resources as they are needed.

Redevelopment Authority of Monroe County (MCRDA)

Capital Assets

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Assets capitalized, not including infrastructure assets, have an original cost of \$1,000 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Machinery and equipment	3 to 5 years
Vehicles and transportation equipment	5 years

Note 2 - Summary of Significant Accounting Policies (continued)

Component Units - Summary of Significant Accounting Policies (continued)

Redevelopment Authority of Monroe County (MCRDA) (continued)

Compensated Absences

MCRDA's policy for accrual of compensated absences is to allow full-time employees to accrue sick leave and accrue vacation leave based on their tenure at MCRDA. The value of compensated absences at the end of the year is calculated by multiplying the number of accumulated hours by each employee's pay rate as of the end of the year.

Note 3 - Deposits and Investments

Pennsylvania statutes provide for investment of governmental and proprietary funds resources into certain authorized investment types, including U.S. Treasury bills, other short-term U.S. and Pennsylvania governmental obligations, and insured or collateralized time deposits (certificates of deposit). The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of governmental funds for investment purposes.

In addition to the investments authorized for governmental and proprietary funds, fiduciary fund investments may also be made in corporate stocks and bonds, real estate, and other investments consistent with sound business practice.

The deposit and investment policy of the County adheres to state statutes and prudent business practice. Deposits of the governmental funds are either maintained in demand deposits or savings accounts, certificates of deposit, or repurchase agreements.

Primary Government

Cash and Temporary Investments

Custodial Credit Risk. The County has custodial credit risk on cash deposits. This is the risk that in the event of a financial institution failure, the County's deposits may not be returned. The County has a deposit policy for custodial risk that requires depository institutions to pledge securities as collateral for deposits that exceed depository insurance.

At December 31, 2017, the carrying amounts of the County's bank deposits were \$50,814,618 and the bank balances were \$51,686,240, of which \$1,443,378 was covered by the Federal Deposit Insurance Corporation (FDIC). The remaining amount was exposed to credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the County's name. In addition, cash and cash equivalents with a carrying amount of \$64,559 were held in brokerage accounts in the County's Employee Retirement Trust Fund. The County has a petty cash balance of \$5,909 at December 31, 2017.

County of Monroe, Pennsylvania

Notes to Financial Statements

December 31, 2017

Note 3 - Deposits and Investments (continued)

Primary Government (continued)

Investments

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The County has adopted a policy of holding all investments to maturity. Accordingly, any change in fair value due to changing market interest rates is temporary.

The County's Employee Retirement Trust Fund Investment Policy (Retirement Investment Policy) states that emphasis shall be placed on providing adequate and timely investment cash flow to permit benefit payments from the Retirement Plan when due. The policy states specific allocations to individual investments ranging from 4% to 19% of total investments.

The carrying amounts of the cash and investments consist of the following at December 31, 2017:

Cash and Cash Equivalents

Governmental	\$ 31,405,513
Business-type	2,201,080
Fiduciary	19,415,014
Component units	1,497,197

Restricted Cash and Cash Equivalents

Business-type	112,502
Component units	7,216,612

Investments, Fiduciary

<u>95,464,706</u>
<u><u>\$ 157,312,624</u></u>

The County had the following debt investments and maturities within its Employee Retirement Trust Fund as of December 31, 2017:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1 Year</u>	<u>1 to 5 years</u>	<u>6 to 10 Years</u>	<u>Greater than 10 Years</u>
Employee Retirement Trust Fund					
Fixed Income Mutual Funds	<u>\$ 27,755,122</u>	<u>\$ 20,105,352</u>	<u>\$ -</u>	<u>\$ 3,871,888</u>	<u>\$ 3,777,882</u>

Credit Risk. The County's investments in fixed income mutual funds were rated BB to A by Standard & Poor's. The equity mutual funds are unrated.

Concentration of Credit Risk. The County places no limit on the amount the County may invest in any one issuer, with the exception of its Employee Retirement Trust Fund. The County's Retirement Investment Policy limits individual holdings, other than U.S. Treasury or other investments in federal agencies, to no more than 5% of the total market value of the corresponding investment type in the portfolio. In addition, not more than 25% of common stock investments may be held in any one industry category.

County of Monroe, Pennsylvania

Notes to Financial Statements

December 31, 2017

Note 3 - Deposits and Investments (continued)

Primary Government (continued)

Investments (continued)

At December 31, 2017, the County carried the following investments representing more than 5% of the total investments in its Employee Retirement Trust Fund:

<u>Investments</u>	<u>Security Identifier</u>	<u>Fair Value</u>	<u>Percentage of Total Investments</u>
Equity Mutual Funds			
SEI Dynamic Asset Alloc Fund	SDLAX	\$ 7,055,468	7.39%
SEI Large Cap Fund	SLCAX	11,231,871	11.77%
SEI Large Cap Index Fund	LCIAX	18,737,296	19.63%
SEI Small Cap I I Fund	SECAX	4,957,924	5.19%
SEI World Equity Ex-US Fund	WEUSX	13,191,612	13.82%
Fixed Income Mutual Funds			
SEI Core Fixed Income Fund	SCOAX	7,714,589	8.08%
SEI Opportunistic Inc Fund	ENIAX	4,783,000	5.01%
Collective Investment Trusts			
SEI Core Property Collective Investment Trust	N/A	4,797,388	5.03%

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy sets out a fair value hierarchy with the highest priority being quoted prices in active markets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the fair value hierarchy classification is determined based on the lowest level input that is significant to the fair value measurement in its entirety. Fair value measurements will be classified and disclosed in one of the following three categories:

Level 1 - Quoted market prices in active marks for identical assets or liabilities

Level 2 - Observable market based inputs or unobservable inputs that are corroborated by market data

Level 3 - Unobservable inputs that are not corroborated by market data

County of Monroe, Pennsylvania

Notes to Financial Statements

December 31, 2017

Note 3 - Deposits and Investments (continued)**Primary Government (continued)****Investments (continued)**

The following table presents the balances of fair value measurement on a recurring basis by level within the hierarchy as of December 31, 2017:

	Employee Retirement Trust Fund			Total
	Level 1	Level 2	Level 3	
Money Market	\$ 64,559	\$ -	\$ -	\$ 64,559
Equity Mutual Funds				
Large blend	54,335,656	-	-	54,335,656
Small blend	4,957,924	-	-	4,957,924
	59,293,580	-	-	59,293,580
Fixed Income Mutual Funds				
Emerging markets	3,777,882	-	-	3,777,882
High yield	3,871,888	-	-	3,871,888
Intermediate term	7,714,590	-	-	7,714,590
Short-term	4,753,175	-	-	4,753,175
Multi-asset	2,854,587	-	-	2,854,587
Mutli-sector	4,783,000	-	-	4,783,000
	27,755,122	-	-	27,755,122
Total Investments				
Measured by Fair Value Levels	87,113,261	-	-	87,113,261
Measured at Net Asset Value (NAV)				
Collective investment trust funds	-	-	-	8,351,445
Total Investments				
Measured at Fair Value	\$ 87,113,261	\$ -	\$ -	\$ 95,464,706

Equity and fixed income mutual funds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

County of Monroe, Pennsylvania

Notes to Financial Statements

December 31, 2017

Note 3 - Deposits and Investments (continued)

Primary Government (continued)

Investments (continued)

Collective investment trust funds are valued at net asset value (NAV) of units held in the investment funds and not the underlying holdings of such investment funds. The NAV, as provided by the trustee, is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund less its liabilities. This practical expedient is not used when it is determined to be probable that the fund will sell the investment for an amount different than the reported NAV. Participant transactions (purchases and sales) may occur daily. Were the Employee Retirement Trust Fund to initiate a full redemption of the collective trust(s), the investment adviser reserves the right to temporarily delay withdrawal from the trust(s) in order to ensure that securities liquidations will be carried out in an orderly business manner. The following table summarizes investments for which fair value is measured using the NAV per share practical expedient:

		<u>Fair Value</u>	<u>Unfunded Commitment</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Collective Investment Trust Funds					
Core Property	(a)	\$ 4,797,388	\$ -	Quarterly	65 days
GPA IV	(b)	34,591	-	N/A	N/A
Opportunity	(c)	<u>3,519,466</u>	<u>-</u>	Quarterly	65 days
		<u>\$ 8,351,445</u>	<u>\$ -</u>		

- (a) The Core Property Collective Investment Trust Fund is a "master feeder" complex, by which the Trust invests substantially all of its assets in the SEI Core Property Fund, LP (CPF). This structure provides a means for eligible investors to participate in investments in various private investment funds, many of which will pursue U.S. Core Real Estate Strategies. The CPF invests directly and indirectly in a diversified pool of private investment vehicles that invest in commercial real estate properties. The CPF expects to invest at least 85% of its assets in open-end core underlying funds focused on properties in the U.S., with "core" meaning high-quality, low-leveraged, income-generating office, industrial, retail, and multi-family properties, generally fully-leased to creditworthy companies and governmental entities. The CPF seeks both current income and long-term capital appreciation through management of the portfolio. Investments in this Fund can be redeemed as of a valuation date that is also the last business day of a calendar quarter at the current NAV per share based on the fair value of the underlying investments. The fair value of investments in this Fund has been estimated using the NAV per share of the underlying investments.

Note 3 - Deposits and Investments (continued)

Primary Government (continued)

Investments (continued)

- (b) The GPA IV Collective Investment Trust Fund is part of a “fund of funds” complex, by which the Trust intends to invest substantially all of its assets in the SEI Global Private Assets IV, L.P. (GPA). This structure provides a means for eligible investors to participate in investments in various private investment funds, many of which will pursue one of five primary global strategies. The GPA is expected to invest directly and indirectly in a diversified pool of private investment vehicles that invest in venture capital, buyouts, debt, real estate, and real assets/infrastructure. The GPA is expected to seek both current income and long-term capital appreciation through management of the portfolio. The fair value of investments in this Fund has been estimated using the NAV per share of the underlying investments.
- (c) The Opportunity Collective Investment Trust Fund is a “master feeder” complex, by which the Trust invests substantially all of its assets in the SEI Offshore Opportunity Fund II Ltd. (OOF). This structure provides a means for eligible investors to participate in investments in various private investment funds, many of which will pursue hedged investment strategies. The OOF invests directly and indirectly in a diversified pool of private investment vehicles that meet four investment strategies of the OOF. The OOF seeks both current income and long-term capital appreciation while incurring bond-like risk through management of the portfolio. Investments in this fund can be redeemed as of a valuation date that is also the last business day of a calendar quarter at the current NAV per share based on the fair value of the underlying investments. The fair value of investments in this Fund has been estimated using the NAV per share of the underlying investments.

Component Units

Pleasant Valley Manor, Inc. (the Manor)

Concentrations of Credit Risk

At times during the year ended December 31, 2017, the Manor maintained cash balances that exceeded FDIC insured limits. The Manor has not experienced any loss in such accounts and believes it is not exposed to any significant credit risk on its cash balances.

Monroe County Conservation District (the District)

Deposits and Investments

The District can invest its funds as authorized for local government units by the Local Government Unit Debt Act, and as provided by Monroe County and applicable grant agreements.

Note 3 - Deposits and Investments (continued)

Component Units (continued)

Monroe County Conservation District (the District) (continued)

Deposits and Investments (continued)

Authorized types of investments include:

- U.S. Treasury bills
- Obligations of the United States of America, the Commonwealth of Pennsylvania, or any of their agencies or instrumentalities, which are secured by the full faith and credit of such entity
- Checking or savings accounts, certificates of deposit, or share accounts, provided such amounts are insured and any deposits in excess of such insurance are collateralized by the depository
- Shares of a registered investment company, provided that the investments of that company are in authorized investments as noted above

Custodial Credit Risk to Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be recovered. The District's policy for minimizing credit risk for bank balances exceeding the Federal Deposit Insurance Corporation's insured limits relies upon Act 72 of 1971. The Act requires that financial institutions pool collateral for all governmental deposits in addition to having collateral held by an approved custodian in the institution's name. At December 31, 2017, the District had \$262,337 of deposits in excess of insurance coverage

Monroe County Industrial Development Authority (MCIDA)

Deposits and Investments

MCIDA can invest its general funds as follows:

- U.S. Treasury bills
- Obligations of the United States of America, the Commonwealth of Pennsylvania, or any of their agencies or instrumentalities, which are secured by the full faith and credit of such entity
- Checking or savings accounts, certificates of deposit, or share accounts, provided such amounts are insured and the depository collateralizes any deposits in excess of such insurance
- Shares of a registered investment company, provided that the investments of that company are in authorized investments as noted above

County of Monroe, Pennsylvania

Notes to Financial Statements

December 31, 2017

Note 3 - Deposits and Investments (continued)

Component Units (continued)

Monroe County Industrial Development Authority (MCIDA) (continued)

Custodial Credit Risk to Deposits

Custodial credit risk is the risk that, in the event of a bank failure, MCIDA's deposits may not be recovered. MCIDA's policy for minimizing credit risk for bank balances exceeding FDIC insured limits relies upon Act 72 of 1971. The Act requires the financial institution to pool collateral for all its government deposits in addition to having the collateral held by an approved custodian in the institution's name.

MCIDA's deposits are as follows as of December 31, 2017:

Uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in MCIDA's name	\$ 6,637,074
Amounts insured under FDIC	750,000
Deposits in transit	376,624
Outstanding checks	<u>(465,743)</u>
Total Cash and Cash Equivalents	<u>\$ 7,297,955</u>

Credit Risk

MCIDA is permitted to invest funds in U.S. Treasury bills, short-term obligations of the United States government or its agencies or instrumentalities, obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, the Commonwealth of Pennsylvania, or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision, certificates of deposit, secured purchase agreements, authorized investment trust companies, and time or share accounts of institutions insured or secured by the FDIC to the extent such certificates are insured by a proper bond or collateral in accordance with the law.

Pocono Mountains Industrial Park Authority (PMIPA)

Deposits and Investments

PMIPA can invest its general funds as provided by the Municipal Authorities Act. Authorized types of accounts include:

- U.S. Treasury bills
- Obligations of the United States of America, the Commonwealth of Pennsylvania, or any of their agencies or instrumentalities, which are secured by the full faith and credit of such entity

Note 3 - Deposits and Investments (continued)

Component Units (continued)

Pocono Mountains Industrial Park Authority (PMIPA) (continued)

Deposits and Investments (continued)

- Checking or savings accounts, certificates of deposit, or share accounts, provided such amounts are insured and any deposits in excess of such insurance are collateralized by the depository
- Shares of a registered investment company, provided that the investments of that company are in authorized investments as noted above

Custodial Credit Risk to Deposits

Custodial credit risk is the risk that, in the event of a bank failure, PMIPA's deposits may not be recovered. PMIPA's policy for minimizing credit risk for bank balances exceeding FDIC insured limits relies upon Act 72 of 1971. The Act requires the financial institution to pool collateral for all its government deposits in addition to having the collateral held by an approved custodian in the institution's name. At December 31, 2017, there were \$15,812 of deposits in excess of FIDC insurance.

Credit Risk

PMIPA is permitted to invest funds in U.S. Treasury bills, short-term obligations of the United States Government or its agencies or instrumentalities, obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, the Commonwealth of Pennsylvania, or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision, certificates of deposit, secured purchase agreements, authorized investment trust companies, and time or share accounts of institutions insured or secured by the FDIC to the extent such certificates are insured by a proper bond or collateral in accordance with the law.

Pocono Mountains Industries, Inc. (PMI)

Deposits and Investments

PMI can invest its general funds as follows:

- U.S. Treasury bills
- Obligations of the United States of America, the Commonwealth of Pennsylvania, or any of their agencies or instrumentalities, which are secured by the full faith and credit of such entity
- Checking or savings accounts, certificates of deposit, or share accounts, provided such amounts are insured and any deposits in excess of such insurance are collateralized by the depository
- Shares of a registered investment company, provided that the investments of that company are in authorized investments as noted above

Note 3 - Deposits and Investments (continued)

Component Units (continued)

Pocono Mountains Industries, Inc. (PMI) (continued)

Custodial Credit Risk to Deposits

Custodial credit risk is the risk that, in the event of a bank failure, PMI's deposits may not be recovered. PMI's policy for minimizing credit risk for bank balances exceeding FDIC insured limits relies upon Act 72 of 1971. The Act requires the financial institution to pool collateral for all its government deposits in addition to having the collateral held by an approved custodian in the institution's name. At December 31, 2017, PMI had no deposits in excess of FDIC insurance.

Interest Rate Risk

PMI does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

PMI is permitted to invest funds in U.S. Treasury bills, short-term obligations of the United States Government or its agencies or instrumentalities, obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, the Commonwealth of Pennsylvania, or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision, certificates of deposit, secured purchase agreements, authorized investment trust companies, and time or share accounts of institutions insured or secured by the FDIC to the extent such certificates are insured by a proper bond or collateral in accordance with the law.

Monroe County Municipal Waste Management Authority (MWMA)

Deposits and Investments

MWMA places its cash with high quality institutions. At times, cash balances may be in excess of FDIC insurance limits. All deposits are carried at cost. MWMA does not have a deposit policy. At December 31, 2017, \$250,604 of MWMA's bank balance was fully insured.

Pocono Mountains Municipal Airport Authority (PMMA)

Cash and Cash Equivalents

PMMA can invest funds as authorized for local government units by the Local Government Unit Debt Act and can invest its general funds as provided by the Municipal Authorities Act.

Note 3 - Deposits and Investments (continued)

Component Units (continued)

Pocono Mountains Municipal Airport Authority (PMMA) (continued)

Cash and Cash Equivalents (continued)

Authorized types of investments include:

- U.S. Treasury bills
- Obligations of the United States of America, the Commonwealth of Pennsylvania, or any of their agencies or instrumentalities, which are secured by the full faith and credit of such entity
- Checking or savings accounts, certificates of deposit, or share accounts, provided such amounts are insured and the depository collateralizes any deposits in excess of such insurance
- Shares of a registered investment company, provided that the investments of that company are in authorized investments as noted above

External Investment Pool

PMMA's investments with Pennsylvania Local Government Investment Trust (PLGIT) are not categorized. PLGIT was established solely for the benefit of local governments, school districts and other public entities in Pennsylvania. All investments made by PLGIT are either obligations of the United States Government or its agencies or instrumentalities or deposits insured by the FDIC.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, PMMA's deposits may not be recovered. PMMA's policy for minimizing credit risk for bank balances exceeding FDIC insured limits relies upon Act 72 of 1971. The Act requires the financial institution to pool collateral for all its government deposits in addition to having the collateral held by an approved custodian in the institution's name. At year end, no deposits were in excess of FDIC insurance limits.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of PMMA's investment. Due to the nature of its investments, PMMA was not exposed to interest rate risk at year end.

Note 3 - Deposits and Investments (continued)

Component Units (continued)

Pocono Mountains Municipal Airport Authority (PMMA) (continued)

Credit Risk

PMMA is permitted to invest funds in U.S. Treasury bills, short-term obligations of the United States Government or its agencies or instrumentalities, obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, the Commonwealth of Pennsylvania, or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision, certificates of deposit, secured purchase agreements, authorized investment trust companies, and time or share accounts of institutions insured or secured by the FDIC to the extent such certificates are insured by a proper bond or collateral in accordance with the law. As a result, PMMA is not subject to credit risk.

Concentration of Credit Risk

PMMA's investments are mainly invested in external investment pools, which are excluded from the concentration of credit risk reporting requirement.

Foreign Currency Risk

PMMA was not exposed to foreign currency risk for the 2017 fiscal year.

Redevelopment Authority of Monroe County (MCRDA)

Deposits

At December 31, 2017, the carrying amount of deposits was \$806,074 and the bank balance was \$877,588. MCRDA's depositories are required to secure deposits of all public bodies with a pledge of collateral in accordance with Pennsylvania Pledge Act 72, and, therefore, MCRDA does not have any uncollateralized deposits as of December 31, 2017.

Note 4 - Grants and Restricted Cash - Component Units

Monroe County Conservation District (the District)

Restricted cash consists of cash held in segregated accounts for the NPDES/Clean Water and Dirt and Gravel and Low Volume Road Maintenance Programs. The NPDES/Clean Water account consists of monies received from developers for permit processing, which, in turn, is used to pay related payroll expenses. The Dirt and Gravel and Low Volume Road Maintenance monies consist of advances received from the state that have not yet been paid out under the Dirt and Gravel and Low Volume Road Maintenance Program and accumulated interest thereon. At December 31, 2017, restricted cash also includes amounts contributed to the District restricted for use on expenditures relating to the annual Conservation Camp.

County of Monroe, Pennsylvania

Notes to Financial Statements

December 31, 2017

Note 4 - Grants and Restricted Cash - Component Units (continued)

Monroe County Industrial Development Authority (MCIDA)

MCIDA is the recipient of numerous Local Share Account (LSA) grants from the Commonwealth of Pennsylvania through the Commonwealth Financing Authority. The funds represent the County's share of gaming revenues from Mount Airy Resort and Casino, located in Mt. Pocono, Pennsylvania. The purpose of these grants is to fund significant community and economic development projects throughout the County.

MCIDA has also entered into a number of Redevelopment Assistance Capital Program (RACP) grants which are administered by the Pennsylvania Office of Budget. The grants are to be used for the acquisition and construction of economic, cultural, civic, recreational, and historical improvement projects.

Normally the proceeds of these grants are paid out in full to the organizations that are sponsoring the projects that are being funded. However, during 2014, MCIDA received an LSA Grant to create the Monroe County Small Business Grant/Loan Fund. As of December 31, 2017, MCIDA had awarded three grants and seven loans as a result of this program. The related cash balance and the note receivable for this program are recorded as restricted equity.

Pocono Mountains Industrial Park Authority (PMIPA)

PMIPA acts as a conduit between granting agencies and various businesses to aid these businesses in obtaining additional funding for various projects. In addition, there are instances whereby PMIPA is the direct benefactor from grant proceeds.

During the year ended December 31, 2017, grant income consisted of \$1,500,00 from the Pennsylvania Department of Transportation for infrastructure improvements on SR 115 near the New ventures Park in Tobyhanna Township, Pennsylvania.

Pocono Mountains Industries, Inc. (PMI)

PMI acts as a conduit between granting agencies and various businesses to aide these businesses in obtaining additional funding for various projects. In addition, there are instances whereby PMI is the direct benefactor from grant proceeds.

During the year ended December 31, 2017, grant income consisted of the following:

Northeast Pennsylvania Defense Transition Partnership	\$	4,590
Partnerships for Regional Economic Performance		<u>18,386</u>
Total	\$	<u>22,976</u>

County of Monroe, Pennsylvania

Notes to Financial Statements

December 31, 2017

Note 5 - Accounts Receivable - Component Units

Pleasant Valley Manor, Inc. (the Manor)

The components of the Manor's accounts receivable are as follows as of December 31, 2017:

Private pay	\$	145,604
Medicare		417,011
Medical Assistance		1,123,354
Other insurance and hospice		588,806
Miscellaneous		<u>51,804</u>
		2,326,579
Allowance for doubtful accounts		<u>(431,923)</u>
Total Net Accounts Receivable	\$	<u>1,894,656</u>

The Manor grants credit without collateral to its residents, most of whom are local residents and are insured under third-party payor agreements.

Note 6 - Real Estate Taxes

The County is permitted by the County Code of Pennsylvania to levy real estate taxes up to 25 mills on every dollar of adjusted valuation for general County purposes exclusive of the requirements for the payment of interest and principal on bonded or funded debt. The County's 2017 real estate taxes are based on assessed values established by the County's Bureau of Assessment. The current tax levy of the County is 21.25 mills for general and debt service purposes.

Real estate taxes for the calendar year are levied on March 1 of each year. Any unpaid real estate taxes attach as an enforceable lien on property as of January 1 of the following year. Taxes are levied on March 1 and payable with a 2% discount to April 30, with no discount or penalty to June 30 and with a 10% penalty from July 1 to December 31. 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. Current tax collections for the County was 94% of the levy.

Note 7 - Mortgages and Notes Receivable/Payable - Land and Building Projects - Component Units

Pocono Mountains Industries, Inc. (PMI)

PMI is the conduit through which Pennsylvania Industrial Development Authority (PIDA) monies are loaned to businesses located in the County. PMI acts as an intermediary between equitable owners and financial institutions or corporations which provide capital to manufacturing industries.

County of Monroe, Pennsylvania

Notes to Financial Statements

December 31, 2017

Note 7 - Mortgages and Notes Receivable/Payable - Land and Building Projects - Component Units (continued)

Pocono Mountains Industries, Inc. (PMI) (continued)

Mortgages of record are negotiated by PMI with various banks, corporations, and PIDA. These mortgages are secured by liens on industrial plants under purchase agreements between the industrial occupant and PMI or for which deeds of reconveyance have been delivered. PMI records these projects as receivables and also records the corresponding liabilities. The liability of PMI on all projects, as represented by various financing methods and obligations other than PIDA financing, is limited to the property involved. There is a loss sharing agreement between PMI and PIDA in which they share the loss of any uncollectible balances. Obligations applicable to property may consist of more than one item, each of which relates to an amount receivable under installment sales or lease purchase agreements. The obligations are annually reduced by the amount received under these agreements.

Land and building projects consist of the following at December 31, 2017:

Dalio Holdings	\$	93,132
Downes & Reader		108,485
Vigon International		515,189
EVS Metals		875,377
Summit Aerospace		574,343
114 Progress LLC		476,423
DK Stroudsburg LLC		343,753
Harmony Labels, Inc.		385,320
Total	\$	3,372,022

The related mortgages and notes payable with PIDA are recorded as liabilities.

Note 8 - Economic Development Loans Receivable - Component Units

Redevelopment Authority of Monroe County (MCRDA)

One of the functions of MCRDA is to receive federal and state grants for the subsequent disbursement to local businesses for the purpose of economic development. The businesses are selected by the form of application by the local businesses and subsequent approval by the Monroe County Commissioners.

The activity of current economic development loans is as follows:

	Balance January 1, 2017	Additions	Payments/ Reductions	Balance December 31, 2017
PM Econ. Dev. Corp.	\$ 110,000	\$ -	\$ -	\$ 110,000

Interest rates and maturity dates of the economic loans receivable are as follows:

	Interest Rate	Maturity Date
PM Econ. Dev. Corp.	2.75%	March 1, 2019

County of Monroe, Pennsylvania

Notes to Financial Statements

December 31, 2017

Note 9 - Notes Receivable - Component Units

Monroe County Industrial Development Authority (MCIDA)

On December 28, 2009, a promissory note of \$590,000 was issued to Skyline Heights, Inc. MCIDA received the funds from DCED as a grant through the LSA program. Funds were used for new construction and administrative costs for a 42-unit townhouse development in Smithfield Township, Pennsylvania. The loan bears no interest and was to be repaid in 30 annual principal payments, which were scheduled to begin on June 30, 2011. However, during 2011, 2012, 2013, 2014, and 2015 MCIDA allowed Skyline Heights, Inc. to defer the first payment. In May 2016, Skyline Heights, Inc. once again requested a deferral, which was denied based on the financial information provided to MCIDA. Based on that information, the first payment of \$22,722 was made in June 2016. The note is scheduled to be repaid in 25 annual principal payments.

In June 2017, based on a review of Skyline Heights, Inc.'s financial information, MCIDA agreed to accept a payment of \$13,420. In May 2018, Skyline Heights, Inc., made a payment of \$26,168.

In May 2014, a Small Business Grant/Loan was awarded to Niclaus Engineering in the amount of \$12,000. Half (\$6,000) of the total was awarded as a loan, which will be repaid to MCIDA over 36 months. Monthly payments are \$172, including interest at 2%. The loan matured in May 2017.

In April 2015, a Small Business Loan was awarded to DNA Property Management Company in the amount of \$22,700. Monthly payments of \$398, including interest at 2%, were made through November 2017. At that time, per the agreement, the remaining \$11,255 was forgiven and recorded as grant expense.

In August 2016, a Small Business Loan was awarded to DK Stroudsburg LLC in the amount of \$50,000. The loan will be repaid to MCIDA over 72 months. Monthly payments are \$738, including interest at 2%. The loan will mature in August 2022.

In October 2016, a Small Business Loan was awarded to Queens Treasures in the amount of \$25,000. The loan will be repaid to MCIDA over 72 months. Monthly payments are \$369, including interest at 2%. The loan will mature in October 2022.

In March 2017, a Small Business Loan was awarded to Harmony Labels in the amount of \$50,000. During April 2017, Harmony Labels repaid \$25,000 of the principal. At that time, per the agreement, the remaining \$25,000 was forgiven and recorded as grant expense.

During 2017, a Small Business Loan was awarded to Pocono Mountains Industries in the amount of \$55,729. The loan will be repaid to MCIDA over 72 months. Monthly payments are \$812, including interest at 2%. The loan will mature in April 2024.

During 2017, a Small Business Loan was awarded to Waste Not Technologies in the amount of \$6,117. The loan will be repaid to MCIDA over 72 months. Monthly payments are \$90, including interest at 2%. The loan will mature in April 2024.

County of Monroe, Pennsylvania

Notes to Financial Statements

December 31, 2017

Note 9 - Notes Receivable - Component Units (continued)

Monroe County Industrial Development Authority (MCIDA) (continued)

Notes receivable activity was as follows for the year ended December 31, 2017:

	January 1, 2017	Additions	Deletions	December 31, 2017	Due Within One Year
Promissory Note					
Skyline Heights, Inc.	\$ 569,278	\$ -	\$ (13,420)	\$ 555,858	\$ 24,168
Small Business Loans					
Niclaus Engineering	855	-	(855)	-	-
DNA Property	15,012	-	(15,012)	-	-
DK Stroudsburg LLC	46,718	-	(7,989)	38,729	7,465
Queens Treasures	24,345	-	(3,974)	20,371	4,054
Harmony Labels	-	50,000	(50,000)	-	-
Pocono Mountains Industries, Inc.	-	55,729	-	55,729	5,795
Waste Not Technologies	-	6,117	-	6,117	644
	<u>\$ 656,208</u>	<u>\$ 111,846</u>	<u>\$ (91,250)</u>	<u>\$ 676,804</u>	<u>\$ 42,126</u>

The payment schedule for the notes receivable is as follows for the years ending December 31:

	Principal	Interest	Total
2018	\$ 42,126	\$ 1,797	\$ 43,923
2019	46,425	1,742	48,167
2020	46,875	1,394	48,269
2021	47,333	935	48,268
2022	44,105	475	44,580
2023 to 2027	135,070	203	135,273
2028 to 2032	120,839	-	120,839
2033 to 2037	120,839	-	120,839
2038 to 2040	73,192	-	73,192
	<u>\$ 676,804</u>	<u>\$ 6,546</u>	<u>\$ 683,350</u>

Pocono Mountains Industrial Park Authority (PMIPA)

On May 20, 2008, PMIPA executed a \$3,000,000 note payable to Commonwealth of Pennsylvania, through the State's PennWorks Program to assist Smithfield Sewer Authority to make capital improvements to its wastewater treatment system. In return Smithfield Sewer Authority executed a Loan Assumption Agreement wherein the Smithfield Sewer Authority agreed to assume PMIPA's responsibilities pertaining to this note. The balance of the loan receivable and payable at December 31, 2017 is \$2,804,807.

County of Monroe, Pennsylvania

Notes to Financial Statements

December 31, 2017

Note 10 - Capital Assets**Primary Government - Governmental Activities**

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

	Balance January 1, 2017	Additions	Deletions	Balance December 31, 2017
Capital Assets Not Being Depreciated				
Land	\$ 1,945,826	\$ -	\$ -	\$ 1,945,826
Agricultural easements	20,288,825	-	-	20,288,825
Total Capital Assets Not Being Depreciated	22,234,651	-	-	22,234,651
Capital Assets Being Depreciated				
Building and improvements	39,511,925	1,408,523	-	40,920,448
Equipment and furniture	5,365,257	475,117	(500,442)	5,339,932
Infrastructure	3,648,587	-	-	3,648,587
Total Capital Assets Being Depreciated	48,525,769	1,883,640	(500,442)	49,908,967
Accumulated Depreciation				
Building and improvements	20,463,808	1,059,390	-	21,523,198
Equipment and furniture	4,009,793	454,042	(474,533)	3,989,302
Infrastructure	2,032,421	95,192	-	2,127,613
Accumulated Depreciation	26,506,022	1,608,624	(474,533)	27,640,113
Capital Assets Being Depreciated, Net	22,019,747	275,016	(25,909)	22,268,854
Governmental Activities Capital Assets, Net	\$ 44,254,398	\$ 275,016	\$ (25,909)	\$ 44,503,505

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

General government - administrative	\$ 418,053
General government - judicial	408,014
General government - public safety	609,502
General government - public works	56,406
Human services	48,250
Culture and recreation	61,694
Conservation and development	6,705
	<u>\$ 1,608,624</u>

County of Monroe, Pennsylvania

Notes to Financial Statements

December 31, 2017

Note 10 - Capital Assets (continued)

Primary Government - Business-Type Activities

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

	Balance January 1, 2017	Additions	Deletions	Balance December 31, 2017
Capital Assets Not Being Depreciated				
Sewer improvements	\$ 936,148	\$ 49,253	\$ -	\$ 985,401
Accumulated depreciation	606,140	29,408	-	635,548
Business-Type Activities Capital Assets, Net	\$ 330,008	\$ 19,845	\$ -	\$ 349,853

Component Units

Pleasant Valley Manor, Inc. (the Manor)

The changes in capital assets were as follows:

	Balance January 1, 2017	Additions	Deletions	Balance December 31, 2017
Capital Assets Not Being Depreciated				
Land	\$ 9,538	\$ -	\$ -	\$ 9,538
Capital Assets Being Depreciated				
Land improvements	452,745	83,003	-	535,748
Building and improvements	5,838,266	248,943	-	6,087,209
Equipment and furniture	7,134,249	1,460,730	-	8,594,979
Total Capital Assets Being Depreciated	13,425,260	1,792,676	-	15,217,936
Accumulated Depreciation				
Land improvements	435,170	10,713	-	445,883
Building and improvements	5,265,518	63,284	-	5,328,802
Equipment and furniture	5,933,510	330,928	-	6,264,438
Accumulated Depreciation	11,634,198	404,925	-	12,039,123
Capital Assets Being Depreciated, Net	1,791,062	1,387,751	-	3,178,813
Capital Assets, Net	\$ 1,800,600	\$ 1,387,751	\$ -	\$ 3,188,351

County of Monroe, Pennsylvania

Notes to Financial Statements

December 31, 2017

Note 10 - Capital Assets (continued)**Component Units (continued)****Monroe County Conservation District (the District)**

Capital assets include buildings, equipment, furniture, and vehicles being depreciated on the straight-line basis over their estimated useful lives. Collections and land are also part of capital assets, but are not depreciated. The changes in capital assets were as follows:

	Balance January 1, 2017	Additions	Deletions	Balance December 31, 2017
Capital Assets Not Being Depreciated				
Collection	\$ 3,725	\$ -	\$ -	\$ 3,725
Land	253,724	-	-	253,724
Total Capital Assets Not Being Depreciated	257,449	-	-	257,449
Capital Assets Being Depreciated				
Building	522,104	10,740	-	532,844
Equipment	94,812	22,156	(5,510)	111,458
Furniture	25,540	-	-	25,540
Vehicles	137,685	-	-	137,685
Total Capital Assets Being Depreciated	780,141	32,896	(5,510)	807,527
Accumulated Depreciation				
Building	116,083	22,047	-	138,130
Equipment	74,425	9,558	(5,075)	78,908
Furniture	23,644	828	-	24,472
Vehicles	108,159	14,129	-	122,288
Accumulated Depreciation	322,311	46,562	(5,075)	363,798
Capital Assets Being Depreciated, Net	457,830	(13,666)	(435)	443,729
Capital Assets, Net	\$ 715,279	\$ (13,666)	\$ (435)	\$ 701,178

County of Monroe, Pennsylvania

Notes to Financial Statements

December 31, 2017

Note 10 - Capital Assets (continued)**Component Units (continued)****Monroe County Industrial Development Authority (MCIDA)**

Capital assets consist primarily of equipment and furniture being depreciated on the straight-line basis over their estimated useful lives. The changes in capital assets were as follows:

	Balance January 1, 2017	Additions	Deletions	Balance December 31, 2017
Capital Assets Being Depreciated				
Computer equipment	\$ 5,878	\$ 2,340	\$ -	\$ 8,218
Furniture and fixtures	11,418	-	-	11,418
Marketing equipment	14,448	-	-	14,448
Total Capital Assets Being Depreciated	31,744	2,340	-	34,084
Accumulated Depreciation				
Computer equipment	5,023	416	-	5,439
Furniture and fixtures	11,513	48	-	11,561
Marketing equipment	14,448	15	(15)	14,448
Accumulated Depreciation	30,984	479	(15)	31,448
Capital Assets, Net	\$ 760	\$ 1,861	\$ 15	\$ 2,636

Pocono Mountains Industrial Park Authority (PMIPA)

Capital assets consist primarily of office equipment and the sewer plant and related equipment. The changes in the capital assets were as follows:

	Balance January 1, 2017	Additions	Deletions	Balance December 31, 2017
Capital Assets Being Depreciated				
Office equipment	\$ 6,058	\$ 1,277	\$ -	\$ 7,335
Park equipment	17,426	-	-	17,426
Sewer plant	261,100	-	-	261,100
Pre-treatment facility	597,502	4,191	-	601,693
Total Capital Assets Being Depreciated	882,086	5,468	-	887,554

County of Monroe, Pennsylvania

Notes to Financial Statements

December 31, 2017

Note 10 - Capital Assets (continued)**Component Units (continued)****Pocono Mountains Industrial Park Authority (PMIPA) (continued)**

	Balance January 1, 2017	Additions	Deletions	Balance December 31, 2017
Accumulated Depreciation				
Office equipment	5,786	197	-	5,983
Park equipment	17,426	-	-	17,426
Sewer plant	145,108	10,191	-	155,299
Pre-treatment facility	7,469	14,937	-	22,406
Accumulated Depreciation	175,789	25,325	-	201,114
Capital Assets, Net	\$ 706,297	\$ (19,857)	\$ -	\$ 686,440

Remaining undeveloped land owned by PMIPA consists of 33.65 acres. Of this amount, 3.23 acres are saleable. The cost reflected on the books for these 3.23 acres is \$7,814. The unusable land of 30.42 acres is comprised of 25.56 acres of required reserved area and 4.86 acres of wetlands.

Pocono Mountains Industries, Inc. (PMI)

Capital assets consist primarily of buildings, computer equipment and furniture being depreciated over their estimated useful lives. The changes in capital assets were as follows:

	Balance January 1, 2017	Additions	Deletions	Balance December 31, 2017
Capital Assets Being Depreciated				
Computer equipment	\$ 9,117	\$ 3,476	\$ -	\$ 12,593
Building	73,116	-	-	73,116
Furniture	8,497	-	-	8,497
Total Capital Assets Being Depreciated	90,730	3,476	-	94,206
Accumulated Depreciation				
Computer equipment	8,094	744	-	8,838
Building	24,763	1,874	-	26,637
Furniture	8,092	81	-	8,173
Accumulated Depreciation	40,949	2,699	-	43,648
Capital Assets, Net	\$ 49,781	\$ 777	\$ -	\$ 50,558

County of Monroe, Pennsylvania

Notes to Financial Statements

December 31, 2017

Note 10 - Capital Assets (continued)

Component Units (continued)

Monroe County Municipal Waste Management Authority (MWMA)

Capital assets consist of the following at December 31, 2017:

	Balance January 1, 2017	Additions	Deletions	Balance December 31, 2017	Depreciation December 31, 2017	Accumulated Depreciation December 31, 2017
Land	\$ 170,000	\$ -	\$ -	\$ 170,000	\$ -	\$ -
Building	2,855,964	-	-	2,855,964	71,399	965,888
Office furniture	69,830	1,579	-	71,409	1,707	63,926
Equipment	946,935	26,071	-	973,006	19,278	857,680
Vehicles	1,200,741	33,829	-	1,234,570	145,370	947,149
Land Improvements	17,355	-	-	17,355	578	17,355
Capital Assets, Net	\$ 5,260,825	\$ 61,479	\$ -	\$ 5,322,304	\$ 238,332	\$ 2,851,998

Pocono Mountains Municipal Airport Authority (PMMA)

During the year ended December 31, 2000, the property on which the airport is located was conveyed to PMMA from the Commonwealth of Pennsylvania. This deed contains a reversion clause, which would return the airport property back to the Commonwealth if the property were no longer used by PMMA or its successor as a public airport, or June 30, 2050, if PMMA does not act to renew itself.

The changes in capital assets were as follows:

	Balance January 1, 2017	Additions	Deletions	Balance December 31, 2017
Capital Assets Not Being Depreciated				
Land	\$ 2,375,854	\$ 8,400	\$ -	\$ 2,384,254
Capital Assets Being Depreciated				
Runway improvements	13,741,530	174,849	(80,000)	13,836,379
Building and building improvements	2,160,409	-	-	2,160,409
Equipment	636,869	3,000	-	639,869
Total Capital Assets Being Depreciated	16,538,808	177,849	(80,000)	16,636,657

County of Monroe, Pennsylvania

Notes to Financial Statements

December 31, 2017

Note 10 - Capital Assets (continued)

Component Units (continued)

Pocono Mountains Municipal Airport Authority (PMMA) (continued)

	Balance January 1, 2017	Additions	Deletions	Balance December 31, 2017
Accumulated Depreciation				
Runway improvements	5,979,226	584,829	(49,445)	6,514,610
Building and building improvements	943,269	44,069	-	987,338
Equipment	581,109	31,462	-	612,571
Accumulated Depreciation	7,503,604	660,360	(49,445)	8,114,519
Capital Assets Being Depreciated, Net	9,035,204	(482,511)	(30,555)	8,522,138
Capital Assets, Net	\$ 11,411,058	\$ (474,111)	\$ (30,555)	\$ 10,906,392

Redevelopment Authority of Monroe County (MCRDA)

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

	Balance January 1, 2017	Additions	Deletions	Balance December 31, 2017
Capital Assets Being Depreciated				
Machinery and equipment	\$ 53,229	\$ -	\$ -	\$ 53,229
Vehicles and transportation equipment	21,798	-	-	21,798
Leasehold improvements	-	10,869	-	10,869
	75,027	10,869	-	85,896
Accumulated Depreciation	75,027	63	-	75,090
Capital Assets, Net	\$ -	\$ 10,806	\$ -	\$ 10,806

Note 11 - Loans Receivable/Payable

Interfund Loans Receivable

On January 17, 1996, the County issued \$2,520,000 of tax-exempt General Obligation Bonds. The County loaned the funds to the Manor. The Manor is required to repay principal and interest to the County over the life of the bonds. At December 31, 2017, the County has an interfund receivable due from the Manor of \$573,037 in the debt service fund and an interfund loan payable for the same amount in the enterprise fund.

County of Monroe, Pennsylvania

Notes to Financial Statements

December 31, 2017

Note 11 - Loans Receivable/Payable (continued)

Interfund Loans Receivable (continued)

In 2002, the County funded various expenses of the Manor for sewage and water and medical expenses that are recorded as interfund receivables from the Manor in other enterprise funds and the internal service fund, respectively, and an interfund payable in the same amounts in the enterprise fund. At December 31, 2017, the County had interfund receivables from the Manor of \$131,547 and \$484,518 in other enterprise funds and the internal service fund, respectively, and an interfund payable in the same amounts in the enterprise fund.

In January 2014, the Manor obtained a \$390,000 loan from the County for the purpose of paying off the existing line of credit with M&T Bank. This loan is payable in quarterly payments of \$25,000 over a period of no more than four years with accrued interest at 3.68% per annum. At December 31, 2017, the balance on this loan was \$163,104. In November 2015, the Manor obtained an \$800,000 loan from the County for the purpose of working capital. This loan is due on demand with no accrued interest. At December 31, 2017, the balance on this loan was \$800,000. At December 31, 2017, the County has an interfund receivable due from the Manor of \$963,104 in the general fund and an interfund loan payable for the same amount in the enterprise fund.

Loans Receivable from Component Units

In April 2009, the County issued the Series of 2009 General Obligation Bonds in the amount of \$8,570,000 to refund notes payable on behalf of Pocono Mountains Industries, Inc. (PMI), a component unit of the County. Since the County requires repayment of all borrowing costs, the debt was recorded on PMI as if the component unit had issued the debt itself. The County recorded long-term debt and a corresponding loan receivable from PMI. Principal and interest payments are due when and as lots are sold by PMI in the Pocono Mountains Corporate Centers, with the entire amount of principal and unpaid interest due on December 15, 2023. Interest is accrued on the loan receivable equal to the interest payments required on the Series of 2009 General Obligation Bonds. The balance outstanding was \$7,363,368 at December 31, 2017. The amount is recorded as a note payable by PMI.

Note 12 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows as of December 31, 2017:

	<u>Due To Other Funds</u>	<u>Due From Other Funds</u>
Governmental Funds		
General Fund	\$ 7,677,078	\$ 12,372,763
Children and Youth	6,587,522	3,082,268
Capital Projects	-	82
Open Space	38,208	-
Other Governmental	8,039,710	5,596,568
	<u>22,342,518</u>	<u>21,051,681</u>

County of Monroe, Pennsylvania

Notes to Financial Statements

December 31, 2017

Note 12 - Interfund Receivables, Payables, and Transfers (continued)

	<u>Due To Other Funds</u>	<u>Due From Other Funds</u>
Proprietary Funds		
Other Enterprise	-	513,447
Internal Service	7,306,466	8,127,517
	<u>7,306,466</u>	<u>8,640,964</u>
Fiduciary Funds		
Employee Retirement Trust Fund	43,568	-
Agency	93	-
	<u>43,661</u>	<u>-</u>
	<u>\$ 29,692,645</u>	<u>\$ 29,692,645</u>

Outstanding balances between funds may result from the time lag between the dates that (a) interfund good and services are provided or reimbursable expenditures occur, (b) transactions are recorded in the accounting system, and (c) payments between funds are made. All interfund receivables and payables are short-term and are expected to be paid within one year.

The composition of interfund transfers is as follows during 2017:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds		
General Fund	\$ 49,310	\$ 5,186,158
Children & Youth	4,228,096	-
Open Space	-	13,640
Other Governmental	873,311	6,850
	<u>5,150,717</u>	<u>5,206,648</u>
Proprietary Funds		
Other Enterprise	55,931	-
	<u>\$ 5,206,648</u>	<u>\$ 5,206,648</u>

The General Fund advances its Special Revenue and Enterprise Funds prior to the funds receiving reimbursement from federal and state funding sources. The General Fund's transfer made to other funds represent the County's match for various special revenue programs.

County of Monroe, Pennsylvania

Notes to Financial Statements

December 31, 2017

Note 13 - Land and Land Improvements Held for Resale - Component Units

Pocono Mountains Industries, Inc. (PMI)

Pocono Mountains Corporate Center East

Pocono Mountains Corporate Center East is the project whereby PMI is redeveloping the former Senda property. The acquisition of this property was a joint effort with the Monroe County Redevelopment Authority. During 1999, PMI acquired this property and is currently developing the property in accordance with a plan established by the Monroe County Planning Commission.

The acquisition of the Pocono Mountains Corporate Center East property was accomplished with funding provided by the County in the form of a note payable to the County and construction period bank financing obtained by the County. The bank debt was refinanced by the County and will be repaid from proceeds of sales of the land.

The County, on behalf of PMI, obtained a Capital Redevelopment Assistance Grant of \$2,500,000 for improvements to this property. The County was the recipient of this grant, which was administered by the Monroe County Redevelopment Authority. The County has received all funds due under the terms of the grant.

The purpose of the \$2,500,000 Capital Redevelopment Assistance Grant was to make the development of the Pocono Mountains Corporate Center East economically feasible by providing reimbursement for the excess costs associated with developing this property. In accordance with generally accepted accounting principles, the grant proceeds were recorded as revenue in the period they were earned rather than as an offset of the actual costs that were reimbursed.

Project costs have been capitalized as follows as of December 31, 2017:

Acquisition	\$ 3,190,047
Construction	3,055,446
Interest	3,145,848
Engineering	1,118,362
Management and administration	98,908
Legal fees	147,552
Other	<u>169,507</u>
Total Project Costs	10,925,670
Cost of lots sold	<u>(1,751,592)</u>
Remaining Project Costs	<u>\$ 9,174,078</u>

County of Monroe, Pennsylvania

Notes to Financial Statements

December 31, 2017

Note 13 - Land and Land Improvements Held for Resale - Component Units (continued)

Pocono Mountains Industries, Inc. (PMI) (continued)

Pocono Mountains Corporate Center West

Pocono Mountains Corporate Center West is the project whereby PMI is developing the former Camp Tegawitha property to create additional business park properties. PMI acquired this property in 1999 and has entered into a sales agreement with Arcadia Properties, LLC (Arcadia), in which Arcadia was expected to purchase the entire site. During 2016, it became apparent that Arcadia would be unable to complete the purchase of the property.

The acquisition of this property was accomplished through a combination of funding provided by the County for economic development and bank debt guaranteed by the County. The bank debt was refinanced by the County and will be repaid from proceeds of sales of the land.

PMI acquired approval of a \$2,886,427 grant and a \$6,886,427 loan through the State's Business in Our Sites Program (BIOS). PMI and Arcadia cooperated in the completion of the infrastructure of the property. During 2011 and prior years, PMI received proceeds from the BIOS grant and loan and, accordingly, paid those amounts over to Arcadia to fund improvements made on this property. As a result of the financial difficulties of Arcadia, as of January 8, 2018, Arcadia formally agreed to relinquish any claims to the Pocono Mountains Corporate Center West property. PMI is currently marketing the property for sale.

Project costs have been capitalized as follows as of December 31, 2017:

Acquisition	\$ 3,937,097
Construction	9,517,607
Interest	1,223,073
Engineering	591,000
Management and administration	14,425
Legal fees	83,129
Other	<u>43,660</u>
Total Project Costs	15,409,991
Cost of lots sold	<u>(3,417,737)</u>
Remaining Project Costs	<u>\$ 11,992,254</u>

Pocono Mountains Corporate Center South

During 1992, PMI purchased 113 acres of land located in Coolbaugh Township, Monroe County, as part of a park expansion project at Pocono Mountains Corporate Center South. The land is being used to develop additional industrial building sites for resale and future industrial development of the area. The project was financed through a Pennsylvania Power and Light land acquisition loan of \$551,250 and a PIDA loan of \$884,425. During 2000, several developed properties were traded to a neighboring property owner in return for approximately 99 acres of undeveloped land.

County of Monroe, Pennsylvania

Notes to Financial Statements

December 31, 2017

Note 13 - Land and Land Improvements Held for Resale - Component Units (continued)

Pocono Mountains Industries, Inc. (PMI) (continued)

Pocono Mountains Corporate Center South (continued)

Of the 212 acres included in Pocono Mountains Corporate Center South, 77 acres have been sold and 39 acres are not saleable as determined by the engineer. The remaining 96 acres are currently available for sale, 23 acres of which are wetlands that cannot be developed.

The project budget and cumulative expenses are as follow as of December 31, 2017:

Original project	\$ 1,341,248
Additional expansion and water system improvements	<u>131,388</u>
Total Project Costs	1,472,636
Cumulative cost of lots sold	<u>(1,248,071)</u>
Remaining Project Costs	<u>\$ 224,565</u>

The cost of land and land improvements is allocated to each lot based on total useable acreage. The cost per useable acre at December 31, 2017, is \$3,076. The remaining project costs are allocated to the remaining lots as follows:

Lot Number	<u>Useable Acres</u>	<u>Remaining Project Costs</u>
26	5	\$ 15,380
27	16	49,216
28	<u>52</u>	<u>159,969</u>
	<u>73</u>	<u>\$ 224,565</u>

Note 14 - Tax Increment Project Component Units

Monroe County Industrial Development Authority (MCIDA)

The County entered into a Tax Increment Project for which MCIDA is the administrator. The objective of the project is to assist Sanofi Pasteur with its expansion plans. Tax increment funds will be used to help finance a wastewater treatment facility. In May 2007, MCIDA obtained debt financing to be used for this project. The total amount of the Tax Increment Financing (TIF) debt was not to exceed \$3,500,000. MCIDA will repay the TIF debt from the tax increment proceeds generated by new development within the TIF District, which is composed of 276 acres located within Pocono Township, Monroe County, Pennsylvania. By agreement, the TIF is scheduled to end in November 2021, at which time the debt is scheduled to be paid in full. The outstanding balance at December 31, 2017, is \$957,464.

County of Monroe, Pennsylvania

Notes to Financial Statements

December 31, 2017

Note 14 - Tax Increment Project Component Units (continued)

Monroe County Industrial Development Authority (MCIDA) (continued)

The County, Pocono Township, and Pocono Mountain School District entered into a TIF Project for which MCIDA is the facilitator. The objective of the project is to assist CBK Lodge, LP, with its development of a destination facility. Tax Increment funds were used to help finance certain off-site improvements and road improvements required by the Pennsylvania Department of Transportation and the purchase and installation of furnishings and equipment in the facility. In December 2013, MCIDA closed on debt to be used for this project. The total amount of TIF debt was not to exceed \$13,821,000. The TIF debt will be repaid from the tax increment proceeds generated by new development within the TIF District, which is composed of 25 acres located in Pocono Township. By agreement, the TIF is scheduled to end December 2033, at which time the debt is scheduled to be paid in full. The outstanding debt balance at December 31, 2017, is \$12,963,000.

The County, Tobyhanna Township, and Pocono Mountain School District entered into a TIF Project for which MCIDA is the facilitator. The objective of the project is to assist Kalahari Resorts, LLC, with its development of a destination facility. Tax increment funds were used to help finance infrastructure improvements. In April 2014, MCIDA closed on debt to be used for this project. The total amount of TIF debt was not to exceed \$26,000,000. The TIF debt will be repaid from the tax increment proceeds generated by new development within the TIF District, which is composed of 154 acres located in Tobyhanna Township. By agreement, the TIF is scheduled to end July 1, 2033, at which time the debt is schedule to be paid in full. The outstanding balance at December 31, 2017, is \$25,400,000.

Since TIF debt is payable only from the incremental tax revenues generated by the TIF District, the note payable described above is not recorded on MCIDA's financial statements as a liability. The due to TIF district liability is equal to the current balance of the TIF bank accounts, which are included in restricted cash. The balances in these accounts consist of proceeds of debt that has not yet been spent and/or tax payments received in excess of debt service payments made.

Note 15 - Unearned Revenue - Component Units

Monroe County Conservation District (the District)

The components of the District's unearned revenue are as follows as of December 31, 2017:

Unearned environmental fees	\$ 214,124
Unearned membership revenue	<u>6,167</u>
	<u>\$ 220,291</u>

Note 16 - Compensated Absences

County employees are credited with vacation at rates that vary with length of service or job classification. Vacation, for most employee categories, may be taken or accumulated within certain limits. To be eligible for paid vacation time, an employee must work a set minimum number of hours or days per month that varies based on employee categories. Vacation days, for most employee categories, must be used prior to March 31 of the succeeding year. One group of employees is allowed to carry forward unused vacation time indefinitely. Employees are paid for earned but unused vacation at time of termination.

A liability to current employees has been estimated and recorded as a liability in the statement of net position. This liability is subject to change, since unused vacation will be paid at the rate of pay in effect at the time of separation. For fund financial statement purposes, the amount of these accumulated leaves that must be used by March 31 of the succeeding year is recorded as a liability in the balance sheet. Accumulated leaves of absence considered to be long-term are recorded as expenditures in the period in which they are taken or as an accrued expenditure in the fiscal year of separation since they do not require current financial resources.

Earned sick leave for non-union employees accumulates from year to year without limit but is deemed to have no monetary value upon termination of employment, including retirement. Therefore, no liability has been established in the statement of net position for accumulated earned but unused sick time for non-union employees.

Employees covered under the Pennsylvania Social Services Union (PSSU) are entitled to earned sick leave at the time of retirement. Employees are paid \$25 per sick day accrued at the time of retirement; therefore, an accrual for PSSU sick time is included in the 2017 compensated absences calculation.

Component Units

Monroe County Municipal Waste Management Authority (MWMA)

Employees of MWMA are entitled to paid vacation, paid sick, and personal days off, depending on job classifications, length of service and other factors. Accrued compensation was \$43,363 as of December 31, 2017.

County of Monroe, Pennsylvania**Notes to Financial Statements**

December 31, 2017

Note 17 - Long-Term Debt

Long-term debt was as follows for the year ended December 31, 2017:

Primary Government - Governmental Activities

	Balance Outstanding January 1, 2017	Net Additions/ (Repayments)	Balance Outstanding December 31, 2017	Amount Due Within One Year
General Obligation Note, Series A of 2007; initial issue \$120,000; interest rate of 5.64% semi-annual through December 2018	\$ 120,000	\$ -	\$ 120,000	\$ 120,000
General Obligation Note, Series B of 2007; initial issue \$240,000; interest rate of 5.64% semi-annual through December 2018	210,000	(5,000)	205,000	205,000
General Obligation Bonds, Series of 2009, initial issue \$8,550,000; interest rates ranging from 5.80% to 5.90% semi-annual through December 2023	8,305,000	(70,000)	8,235,000	80,000
General Obligation Bonds, Series B of 2009, initial issue \$1,310,000; interest rate of 5.58% semi-annual through December 2024	1,280,000	(5,000)	1,275,000	5,000
General Obligation Bonds, Series of 2011, initial issue \$7,035,000; interest rates ranging from 1.50% to 4.00% semi-annual through December 2018	6,990,000	(3,255,000)	3,735,000	3,735,000
General Obligation Bonds, Series A of 2012, initial issue \$2,510,000; interest rates ranging from 1.75% to 3.00% semi-annual through July 2019	2,510,000	-	2,510,000	205,000
General Obligation Bonds, Series B of 2012, initial issue \$4,875,000; interest rates ranging from 1.38% to 3.00% semi-annual through July 2020	4,850,000	(5,000)	4,845,000	5,000
General Obligation Bonds, Series C of 2012, initial issue \$585,000; interest rates of 2.00% semi-annual through July 2020	585,000	(5,000)	580,000	10,000

County of Monroe, Pennsylvania

Notes to Financial Statements

December 31, 2017

Note 17 - Long-Term Debt (continued)

Primary Government - Governmental Activities (continued)

	Balance Outstanding January 1, 2017	Net Additions/ (Repayments)	Balance Outstanding December 31, 2017	Amount Due Within One Year
General Obligation Bonds, Series D of 2012; initial issue \$6,675,000; interest rates ranging from 1.38% to 5.00% semi-annual through July 2022	6,675,000	-	6,675,000	5,000
General Obligation Note, Series of 2014; initial issue \$19,215,000; interest rates ranging from 1.00% to 5.00% semi-annual through September 2025	12,915,000	(1,150,000)	11,765,000	150,000
	<u>\$ 44,440,000</u>	<u>\$ (4,495,000)</u>	<u>\$ 39,945,000</u>	4,520,000
Add unamortized issuance premium				<u>311,428</u>
				<u>\$ 4,831,428</u>

Annual debt service requirements to maturity for Governmental Activities General Obligation Bonds and Notes are as follows:

Years Ending	Principal	Interest	Total Debt Service
2018	\$ 4,520,000	\$ 1,671,293	\$ 6,191,293
2019	4,735,000	1,507,456	6,242,456
2020	5,010,000	1,367,132	6,377,132
2021	5,195,000	1,226,494	6,421,494
2022	5,390,000	1,033,580	6,423,580
2023 to 2025	15,095,000	1,379,976	16,474,976
	39,945,000	<u>\$ 8,185,931</u>	<u>\$ 48,130,931</u>
Current maturities	(4,520,000)		
Add unamortized issuance premium	<u>1,413,568</u>		
	<u>\$ 36,838,568</u>		

The County has pledged its full faith, credit, and taxing power as security for the repayment of the above obligations.

Note 17 - Long-Term Debt (continued)

Primary Government - Governmental Activities (continued)

In prior years, the County has defeased various General Obligation Bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the accompanying financial statements. At December 31, 2017, the principal amount outstanding relative to defeased debt of the Primary Government was \$20,045,000.

Component Units - Long-Term Debt

Pocono Mountains Industrial Park Authority (PMIPA)

During 2010, PMIPA began work on a project to construct improvements at Exits 298 and 299 of Interstate 80 in the County. In connection with the project, certain local businesses and other organizations that will benefit from the improvements have agreed to contribute \$4,687,500 to the cost of design and construction. Under terms established in the Highway Improvements Cost Contribution Agreement of October 2010, PMIPA has agreed to act as a conduit for the project funding. The agreement includes a provision where the participating businesses and organizations have the right to withdraw from the agreement since more than 36 months have passed. To date PMIPA has not received notification of any withdrawals.

Project expenditures by PMIPA in excess of reimbursements received is approximately equal to the outstanding balance of the related debt.

In December 2010, PMIPA approved the issuance of its Guaranteed Limited Obligation Note, Series 2010, in the maximum amount of \$4,250,000. In March 2016, this debt was refinanced and PMIPA closed on a non-revolving line of credit with ESSA Bank & Trust Co. up to \$4,000,000. The line of credit has a term of five years, with interest at 3.0%. As of December 31, 2017, a total of \$278,427 has been drawn down on the note.

Financial statement line items relating to the project include the following:

- Project cash consists of cash remaining from a contribution received by PMIPA
- Project accounts receivable and payable represent amounts due from PennDOT to pay for planning costs incurred and the related amounts due to the engineering firm
- The note payable is as discussed above
- Project revenues and expenses include PennDOT's contribution towards the overall cost of the project

County of Monroe, Pennsylvania

Notes to Financial Statements

December 31, 2017

Note 17 - Long-Term Debt (continued)

Component Units - Long-Term Debt (continued)

Pocono Mountains Industrial Park Authority (PMIPA) (continued)

The following is a summary of the long-term debt activity related to the Exit 289/299 project for the year ended December 31, 2017:

	<u>January 1, 2017</u>	<u>Additions</u>	<u>Repayments</u>	<u>December 31, 2017</u>	<u>Due Within One Year</u>
Note Payable - ESSA Bank & Trust Co.	\$ 180,522	\$ 97,905	\$ -	\$ 278,427	\$ -

Schedule of maturities for years ending December 31:

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2018	\$ -	\$ 8,353	\$ 8,353
2019	-	8,353	8,353
2020	-	8,353	8,353
2021	<u>278,427</u>	<u>2,013</u>	<u>280,440</u>
	<u>\$ 278,427</u>	<u>\$ 27,072</u>	<u>\$ 305,499</u>

On May 20, 2008, PMIPA executed a \$3,000,000 note payable to Commonwealth of Pennsylvania, through the State's PennWorks Program to assist Smithfield Sewer Authority to make capital improvements to its wastewater treatment system. In return Smithfield Sewer Authority executed a Loan Assumption Agreement wherein the Smithfield Sewer Authority agreed to assume PMIPA's responsibilities pertaining to this note.

During 2014, \$438,082 was drawn on this note and repayment began during 2014. During 2016, Smithfield Sewer Authority incurred project costs sufficient to draw down the remaining available funds.

The loan is to be repaid in 240 monthly installments, including interest at a 2.0%. Payments are being made directly by Smithfield Sewer Authority, but PMIPA would be liable for the balance if the Smithfield Sewer Authority were to default.

The following is a summary of the long-term debt activity related to the PennWorks note during the year ended December 31, 2017:

	<u>January 1, 2017</u>	<u>Additions</u>	<u>Repayments</u>	<u>December 31, 2017</u>	<u>Due Within One Year</u>
Note Payable - Pennsylvania Department of Community and Economic Development (DCED)	\$ 2,940,769	\$ -	\$ (135,962)	\$ 2,804,807	\$ 132,755

County of Monroe, Pennsylvania

Notes to Financial Statements

December 31, 2017

Note 17 - Long-Term Debt (continued)**Component Units - Long-Term Debt (continued)****Pocono Mountains Industrial Park Authority (PMIPA) (continued)**

Schedule of maturities for years ending December 31:

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2018	\$ 132,755	\$ 50,319	\$ 183,074
2019	147,624	52,093	199,717
2020	150,604	49,113	199,717
2021	153,643	46,074	199,717
2022	156,745	42,972	199,717
2023 to 2027	832,477	166,106	998,583
2028 to 2032	919,952	78,631	998,583
2033 to 2034	311,007	5,210	316,217
	<u>\$ 2,804,807</u>	<u>\$ 490,518</u>	<u>\$ 3,295,325</u>

Pocono Mountains Industries, Inc. (PMI)

The following is a summary of the long-term debt activity for the year ended December 31, 2017:

	<u>January 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31, 2017</u>	<u>Due Within One Year</u>
Mortgage payable - PP&L Electric Utilities Corporation	\$ 230,000	\$ -	\$ -	\$ 230,000	\$ 230,000
Loan payable - Monroe County	110,000	-	-	110,000	110,000
Note payable - Commonwealth Financing Authority	6,816,457	-	-	6,816,457	-
Note payable - Monroe County	7,363,368	-	-	7,363,368	-
D2PA Revolving Loan	-	100,000	-	100,000	-
Loan payable, Monroe County Small Business Loan Fund	-	55,685	-	55,685	5,795
Total	14,519,825	155,685	-	14,675,510	345,795
Unamortized bond discount	(47,972)	-	7,809	(40,163)	-
Net Notes Payable	\$ 14,471,853	\$ 155,685	\$ 7,809	\$ 14,635,347	\$ 345,795

County of Monroe, Pennsylvania

Notes to Financial Statements

December 31, 2017

Note 17 - Long-Term Debt (continued)**Component Units - Long-Term Debt (continued)****Pocono Mountains Industries, Inc. (PMI) (continued)**

Estimated annual payments on long-term debt through final maturity of debt outstanding are as follows for the years ending December 31:

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2018	\$ 235,795	\$ 700	\$ 236,495
2019	118,838	36,212	155,050
2020	9,017	726	9,743
2021	9,199	544	9,743
2022	6,925,841	1,057,002	7,982,843
2023 to 2024	<u>7,376,820</u>	<u>6,414,241</u>	<u>13,791,061</u>
	<u>\$ 14,675,510</u>	<u>\$ 7,509,425</u>	<u>\$ 22,184,935</u>

Pertinent information regarding the bonds and notes payable is presented below as of December 31, 2017:

Mortgage payable; PP&L Electric Utilities Corporation; dated February 2, 2002; 0.00% interest; minimum annual payment of \$125,000 beginning in 2005; sharing a first lien on the property with PIDA; informal agreement to extend repayment period through at least December 31, 2018	\$ 230,000
Loan payable; County of Monroe; dated March 1, 2006; interest at 2.75%; unpaid principal balance and interest due earlier of March 1, 2019 or the sale of the former International Boiler Work's property located in East Stroudsburg, Pennsylvania	110,000
Note payable; Commonwealth Financing Authority (BIOS loan); dated May 17, 2007; interest at 3.00% began to accrue on October 31, 2012; on November 14, 2017, the Commonwealth Financing Authority granted an extension of the maturity date to May 25, 2022	6,816,457
Note payable; County of Monroe; dated April 1, 2009; interest at 5.80% to 5.90%; unpaid principal balance and interest due earlier of December 15, 2023 or the sale of land	7,363,368
Note payable; D2PA Revolving Loan Fund; dated January 25, 2017; 0.00% interest, unless an event of default occurs, at which point interest accrues at five points per year above Wall Street Journal prime rate; unpaid principal balance due on the earlier of January 25, 2022, or the sale of Lot 28 in Pocono Mountains Corporate Center East	100,000

County of Monroe, Pennsylvania

Notes to Financial Statements

December 31, 2017

Note 17 - Long-Term Debt (continued)

Component Units - Long-Term Debt (continued)

Pocono Mountains Industries, Inc. (PMI) (continued)

Note payable; Monroe County Industrial Development Authority; dated May 5, 2017; interest rate of 2.00%; unpaid principal and interest to be repaid in monthly installments of \$812, beginning May 1, 2018; maturity date is April 1, 2024

55,685

14,675,510

Amount shown as due to primary government

(7,363,368)

Amounts due within one year

(236,495)

Unamortized bond discount

(40,163)

\$ 7,035,484

During 2017, \$-0- of interest was capitalized as part of the Pocono Mountains Corporate Center East development project, and \$657,203 was recorded as nonoperating expense.

Monroe County Municipal Waste Management Authority (MWMA)

Pertinent information regarding the bonds and notes payable as of December 31, 2017 is presented below:

In April 2014, MWMA refinanced various debts with "Revenue Note Series of 2014" financed by Wayne Bank. Interest accruing on the outstanding principal balance hereof shall be payable semiannually, on June 1 and December 1 of each year commencing on June 1, 2014, at the fixed rate of 2.19%, per annum. The principal balance hereof shall be repaid in installments in the amounts and on the dates set forth in the below schedule. Interest on the outstanding and unpaid principal balance shall be calculated based on 12 months of 30 days each and a year of 360 days. The Note is collateralized by property and equipment, and MWMA has pledged its Integrated Waste Management System Revenues to secure the loan.

\$ 2,505,300

In May 2016, the MWMA acquired a new 2016 Caterpillar 262D Skid Steer financed as a lease-purchase agreement with Caterpillar Financial Services Corporation. This agreement is collateralized by the equipment. Payments of \$495 are due monthly until March 2023 with interest at a nominal rate of 2.95%.

28,844

2,534,144

Current portion

(515,155)

\$ 2,018,989

County of Monroe, Pennsylvania

Notes to Financial Statements

December 31, 2017

Note 17 - Long-Term Debt (continued)**Component Units - Long-Term Debt (continued)****Monroe County Municipal Waste Management Authority (MWMA) (continued)**

Maturities of long-term debt of MWMA are as follows for the years ending December 31 and thereafter:

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>	<u>Interest Rate</u>
2018	\$ 515,155	\$ 54,175	\$ 569,330	2.19 - 2.95%
2019	500,510	42,849	543,359	2.19 - 2.95%
2020	421,869	32,682	454,551	2.19 - 2.95%
2021	358,032	23,863	381,895	2.19 - 2.95%
2022	367,301	16,008	383,309	2.19 - 2.95%
Thereafter	371,277	7,998	379,275	2.19 - 2.95%
	<u>\$ 2,534,144</u>	<u>\$ 177,575</u>	<u>\$ 2,711,719</u>	

Changes in long-term debt of MWMA are as follows:

	<u>Balance January 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at December 31, 2017</u>	<u>Due Within One Year</u>
Note - Series of 2014	\$ 3,002,500	\$ -	\$ (497,200)	\$ 2,505,300	\$ 510,000
2016 lease purchase note	33,849	-	(5,005)	28,844	5,155
	<u>\$ 3,036,349</u>	<u>\$ -</u>	<u>\$ (502,205)</u>	<u>\$ 2,534,144</u>	<u>\$ 515,155</u>

MWMA has two lines of credit with maximum borrowings available of \$350,000. The credit lines mature December 31, 2018. Activity on the lines of credit is as follows:

	<u>Balance at January 1, 2017</u>	<u>Principal Payments</u>	<u>Principal Borrowings</u>	<u>Balance at December 31, 2017</u>
Line of credit #1	\$ 111,175	\$ (11,003)	\$ -	\$ 100,172
Line of credit #2	27,274	(10,017)	-	17,257
	<u>\$ 138,449</u>	<u>\$ (21,020)</u>	<u>\$ -</u>	<u>\$ 117,429</u>

County of Monroe, Pennsylvania

Notes to Financial Statements

December 31, 2017

Note 17 - Long-Term Debt (continued)**Component Units - Long-Term Debt (continued)****Pocono Mountains Municipal Airport Authority (PMMA)**

Notes payable consist of the following:

- Pennsylvania Infrastructure Bank (PIB) Loan - ten annual payments of \$10,988 including interest at 1.75%.; matures August 1, 2027
- Pennsylvania Infrastructure Bank (PIB) Loan - ten annual payments of \$6,165 including interest at 4%; paid in full during 2017
- Note payable - First Keystone Community Bank, construction loan for North Hangar; monthly payments including principal and interest at 2.65% and continue through April 26, 2025
- Note payable - First Keystone Community Bank, \$140,000 for construction of sewer line to new hanger; payable in monthly installments of \$1,901 for 84 months with interest at 3.75%; matures in 2020
- Capital Lease Payable - Advance Acceptance, in the amount of \$18,359 for purchase of Ferris mower, interest at 7.455%, due in monthly installments of \$571 including interest; matures in June 2018

A summary of notes payable activity is as follows:

	Balance at January 1, 2017	Increases	Repayments	Balance at December 31, 2017	Current Portion
Sewer loan	\$ 77,968	\$ -	\$ (20,200)	\$ 57,768	\$ 21,015
PIB loan	5,927	-	(5,927)	-	-
PIB loan	-	100,000	-	100,000	9,238
Hangar loan	166,944	-	(17,115)	149,829	18,440
Mower lease	9,973	-	(5,582)	4,391	4,391
	<u>\$ 260,812</u>	<u>\$ 100,000</u>	<u>\$ (48,824)</u>	<u>\$ 311,988</u>	<u>\$ 53,084</u>

Maturities of long-term debt of PMMA are as follows for the years ending December 31:

	Principal	Interest	Totals
2018	\$ 53,084	\$ 7,290	\$ 60,374
2019	50,151	5,758	55,909
2020	43,943	4,293	48,236
2021	29,695	3,401	33,096
2022	30,401	2,695	33,096
2023 to 2026	93,916	4,174	98,090
2027	10,798	189	10,987
	<u>\$ 311,988</u>	<u>\$ 27,800</u>	<u>\$ 339,788</u>

County of Monroe, Pennsylvania

Notes to Financial Statements

December 31, 2017

Note 17 - Long-Term Debt (continued)**Component Units - Long-Term Debt (continued)****Pleasant Valley Manor, Inc.**

Long-term debt consists of the following at December 31, 2017:

\$390,000 loan from Monroe County obtained in January 2014 for the purpose of paying off the existing line of credit with M&T Bank; payable in quarterly payments of \$25,000 over a period of no more than four years with accrued interest at 3.68% per annum	\$ 153,104
\$800,000 loan from Monroe County obtained in November 2015 for the purpose of working capital; due on demand with no accrued interest	800,000
\$39,700 note payable to United States Department of Agriculture payable in quarterly installments of \$1,592, including principal and interest at 3.25%, to October 2022; secured by substantially all assets of the Manor including the equipment for which the loan was obtained to finance	<u>28,556</u>
	981,660
Amount shown as interfund loans payable	(953,104)
Current portion	<u>(5,484)</u>
	<u>\$ 23,072</u>

Maturities of long-term debt of Pleasant Valley Manor, Inc. are as follows:

2018	\$ 958,588
2019	5,664
2020	5,850
2021	6,043
2022	<u>5,515</u>
	<u>\$ 981,660</u>

County of Monroe, Pennsylvania

Notes to Financial Statements

December 31, 2017

Note 18 - Leases

Primary Government

Operating Leases

The County leases office space, land, and certain equipment under various operating leases. Future minimum lease payment requirements under these leases are as follows for the years ending December 31 and thereafter:

2018	\$	685,126
2019		599,764
2020		544,231
2021		213,390
2022		53,276
Thereafter		<u>38,122</u>
	\$	<u>2,133,909</u>

Total rental expense for these leases during 2017 approximated \$770,000.

Capital Leases

The County leases several vehicles under capital leases maturing through 2019. Total depreciation expense for the leased vehicles was \$81,139 for the year ended December 31, 2017. The future minimum capital lease obligations and the net present value of these minimum lease payments as of December 31, 2017 are as follows for the years ending December 31:

		<u>Governmental Activities</u>
2018	\$	77,233
2019		<u>77,234</u>
Total Minimum Lease Payments		154,467
Amount representing interest		<u>(12,662)</u>
Present Value of Minimum Lease Payments	\$	<u>141,805</u>

County of Monroe, Pennsylvania

Notes to Financial Statements

December 31, 2017

Note 18 - Leases (continued)

Component Units

Pleasant Valley Manor, Inc. (the Manor)

Operating Leases

The Manor leased copier and telephone equipment under various operating leases expiring through 2021. Rent expenses under these leases was \$14,646 for the year ended December 31, 2017. Minimum future rental payments under non-cancelable operating leases having remaining terms in excess of one year as of December 31, 2017 for the next four years and in the aggregate are:

2018	\$	14,172
2019		14,172
2020		8,148
2021		3,395
		<u>3,395</u>
	\$	<u>39,887</u>

Capital Leases

The Manor entered into an energy savings agreement with Sustainable Energy Fund (SEF), a nonprofit organization, to install energy conservation equipment to improve the operational efficiency at the Manor. This agreement has been classified as a capital lease that expires in March 2032. The asset and liability under the capital lease is recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The property held under capital lease with a cost of \$979,533 is included in fixed equipment and is being depreciated over its related lease term. Depreciation of the asset under capital lease in the amount of \$68,420 is included in depreciation expense for the year ended December 31, 2017. Accumulated depreciation for property held under capital lease was \$68,420 at December 31, 2017.

Minimum future lease payments under capital lease as of December 31, 2017 for each of the next five years and in the aggregate are:

2018	\$	59,045
2019		59,045
2020		59,045
2021		59,045
2022		59,045
Thereafter		<u>546,170</u>
Total minimum lease payments		841,395
Less amounts representing interest		<u>(231,497)</u>
Present Value of Minimum Lease Payments	\$	<u>609,898</u>

Interest rate on the capital lease is 4.77% and was imputed based on the lower of the Manor's incremental borrowing rate at the inception of the lease or the lessor's implicit rate of return.

Note 19 - Related Parties - Component Units

Monroe County Conservation District (the District)

Because of its regulatory duties, the District believes it is essential that fund-raising projects that benefit the District be accomplished by a separate entity. Kettle Creek Environmental Fund coordinates these fund-raising projects and, in turn, contributes money and/or material items to the District.

During 2017, Kettle Creek Environmental Fund contributed a total of \$10,740 to the District. Other contributions consisted primarily of funds to be used for Conservation Camp and Envirothon expenses, and to reimburse local education agencies for the cost of bussing students to the Environmental Center. During 2017, the Kettle Creek Environmental Fund also paid for the construction of a Nature Discovery Area near the Environmental Center pavilion.

Also in 2017, Kettle Creek Environmental Fund provided funds to the District to pay for local education agencies to send students to the Education Center for various programs. The total of these amounts for 2017 was \$24,314.

Due to the relationship between these organizations, Kettle Creek Environmental Fund is considered to be a component unit of Monroe County Conservation District. However, its financial information has not been included in these financial statements. Financial information pertaining to Kettle Creek Environmental Fund may be obtained by contacting the organization.

The District is organized under the laws of the Commonwealth of Pennsylvania. The District's duties include overseeing the implementation of grant projects funded by the Commonwealth of Pennsylvania to improve and protect the environment. The District receives cost-sharing reimbursements from the Commonwealth of Pennsylvania that cover a portion of the District's personnel and administrative costs. Funding received for 2017 in the form of cost-sharing reimbursements was \$200,668.

Monroe County Industrial Development Authority (MCIDA), Pocono Mountains Industrial Park Authority (PMIPA) and Pocono Mountains Industries, Inc. (PMI)

Throughout the year, there were Board-approved transfers between MCIDA, PMIPA, and PMI. Transactions between the organizations primarily result from the reimbursement of allocated expenses.

Pocono Mountains Municipal Airport Authority (PMMA)

During 2017, PMMA entered into transactions with related parties. These transactions consisted of hangar rental and fuel sales with members of the Board of Directors and/or business entities owned by them. In addition, PMMA entered into a land lease agreement with two members of the Board of Directors, which allows them to build a hangar on airport property. The total amount of the transactions with related parties as described above for the year ended December 31, 2017, was \$156,504. During the year ended December 31, 2017, a company owned by one of the board members was paid \$94,011 for work performed at the airport.

Note 19 - Related Parties - Component Units (continued)

Monroe County Municipal Waste Management Authority (MWMA)

MWMA owns a property in Coolbaugh Township, Monroe County, Pennsylvania, that it originally planned to develop, build, and operate an advanced recycling sorting, separating, and processing facility that would accept recycling from multiple counties within Northeast Pennsylvania. The plan was to have MWMA take all material it collected to this new facility for further processing. It was believed that this facility would be able to market MWMA's material and substantially increase the revenue of MWMA. After a careful and complete review of the financial feasibility of this project, MWMA decided to no longer support the development of the processing facility. The board of MWMA voted unanimously to abandon its participation in this project. It is the intent of MWMA to sell the property, plans, and permits as soon as possible.

Note 20 - Pension Plan

Primary Government

Plan Description

The Employee Retirement Board administers the Monroe County Employee Retirement Trust Fund Plan - a single-employer defined benefit pension plan that covers substantially all employees of the County. The plan is regulated according to the County Pension Law Act 96 of 1971, as amended. The board consists of five members consisting of the three County elected commissioners, the elected County Controller and the County elected Treasurer

Plan Membership

Pension plan membership consisted of the following at December 31, 2017:

Inactive plan members or beneficiaries currently receiving benefits	298
Inactive plan members entitled to, but not yet receiving benefits	72
Active plan members	615
	<hr/>
	985
	<hr/> <hr/>

Benefits Provided

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

Note 20 - Pension Plan (continued)

Primary Government (continued)

Contributions

An actuarially determined contribution is recommended by the plan actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance an unfunded accrued liability. For the 2017 measurement period, the active member contribution rate was 5% of annual pay, and the County average contribution rate was 11.09% of annual payroll.

Net Pension Liability

The County's net pension liability was measured as of December 31, 2017, and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2017. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end.

Actuarial Assumptions

The total pension liability in the January 1, 2017 actuarial valuation was determined using the following economic assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	4.50%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2017 measurement period were based on past experience under the plan and reasonable future expectations which represent our best estimate of anticipated experience under the plan.

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

County of Monroe, Pennsylvania

Notes to Financial Statements

December 31, 2017

Note 20 - Pension Plan (continued)

Primary Government (continued)

Actuarial Assumptions (continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	47%	5.40% - 6.40%
International equity	19%	5.50% - 6.50%
Fixed income	34%	1.30% - 3.30%
Real estate	-%	4.50% - 5.50%
Cash	-%	0.00% - 1.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan members contributions will be made at the current contribution rate and that County contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

County of Monroe, Pennsylvania

Notes to Financial Statements

December 31, 2017

Note 20 - Pension Plan (continued)**Primary Government (continued)****Changes in Net Pension Liability**

The following table shows the changes in net pension liability for the year ended December 31, 2017.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2016, as Restated	\$ 91,903,768	\$ 82,374,132	\$ 9,529,636
Changes for the year			
Service cost	2,929,355	-	2,929,355
Interest	6,862,319	-	6,862,319
Differences between expected and actual experience	(422,243)	-	(422,243)
Contributions - employer	-	3,020,499	(3,020,499)
Contributions - member	-	1,707,948	(1,707,948)
Net investment income	-	12,716,799	(12,716,799)
Benefit payments, including refunds of member contributions	(4,163,030)	(4,163,030)	-
Plan administrative expense (excluding investment advisory fees)	-	(29,113)	29,113
Other changes	-	6,956	(6,956)
Balance at December 31, 2017	\$ 97,110,169	\$ 95,634,191	\$ 1,475,978

Net Pension Liability Sensitivity

The following presents the net pension liability of the County, calculated using the discount rate of 7.50%, as well as what the County's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Net Pension Liability	\$ 12,125,959	\$ 1,475,978	\$ (7,883,839)

County of Monroe, Pennsylvania

Notes to Financial Statements

December 31, 2017

Note 20 - Pension Plan (continued)

Primary Government (continued)

Pension Expense, and Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2017, the County recognized pension expense of \$2,284,107. At December 31, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to the plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 671,139	\$ 341,042
Change of assumptions	749,050	-
Net difference between projected and actual earnings on pension plan investments	<u>2,911,070</u>	<u>5,314,730</u>
	<u>\$ 4,331,259</u>	<u>\$ 5,655,772</u>

Amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows for the years ending December 31:

2018	\$ 376,032
2019	376,032
2020	(1,079,503)
2021	(1,134,374)
2022	<u>137,300</u>
	<u>\$ (1,324,513)</u>

Component Units

Pleasant Valley Manor, Inc. (the Manor)

The Manor has a Tax Deferred Annuity Plan, under IRS Code Sec 403(b), under which employees can contribute a percentage of their wages pursuant to a salary reduction agreement. For employees who are at least 21 years of age, completed one year of service, and worked at least 1,000 hours during the year, the Manor contributes 20% of each employee's contributions up to a maximum of 6% of the employee's wages. Therefore, the Manor will contribute a maximum of up to 1.2% of an employee's wages. Those employer match contributions amounted to \$21,110 for the year ended December 31, 2017.

Note 20 - Pension Plan (continued)

Component Units (continued)

Monroe County Industrial Development Authority (MCIDA), Pocono Mountains Industrial Park Authority (PMIPA), and Pocono Mountains Industries, Inc. (PMI)

MCIDA, PMIPA, and PMI are covered by a defined contribution Simple IRA plan adopted by PMIPA in March 2002. The plan provides for the entities to contribute up to 3% of each eligible employee's gross wages.

Monroe County Municipal Waste Management Authority (MWMA)

MWMA sponsors a savings incentive match plan for employees covering substantially all of its employees. Contributions are determined by a 3% MWMA match of participating employee's compensation.

Redevelopment Authority of Monroe County (MCRDA)

MCRDA participates in a cash balance, defined benefit pension plan controlled by the provisions of Resolution No. 3/13/13 adopted pursuant to Act 15 of 1974, and administered by the Pennsylvania Municipal Retirement System (PMRS). The PMRS is an agency created by the Commonwealth of Pennsylvania and administered in accordance with the Pennsylvania Municipal Retirement Law (PMRL), 53 P.S. 881.101 et seq. (Retirement Law) for its municipal employees. The Redevelopment Authority is bound by all the requirements and provisions of the Retirement Law and the Municipal Pension Plan Funding Standard and Recovery Act, 53 P.S. 895.101 et seq., and assumes all obligations, financial and otherwise, placed upon member municipalities. PMRS is a tax-qualified multiple employer retirement system in which the PMRL permits each municipality to establish and maintain a tax-qualified retirement plan pursuant to IRC Section 401(a). PMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.pMrs.state.pa.us.

All eligible employees are required to participate in PMRS. Credited service shall begin to accrue as of the member's date of enrollment in PMRS.

Contributions

MCRDA contributes 5% of each member's compensation, credited to each account on a quarterly basis. Due to the plan design, there are no actuarially determined contributions required for a cash balance pension plan. The Statutorily Required Contribution is a contribution amount based upon the payroll and the contribution rate in the terms of the Plan.

Members are not required to contribute to the Plan, but may voluntarily contribute up to 15% of their compensation. Contributions will be taxed at the time they are made, and will not be treated as taxable when paid to the member.

Note 20 - Pension Plan (continued)

Component Units (continued)

Redevelopment Authority of Monroe County (MCRDA) (continued)

Benefits Provided

PMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the Board of Directors of MCRDA, within the options available in the state statutes governing PMRS.

The annual retirement benefit is equal to a single life annuity starting on the effective date of retirement with a present value equal to the member's accumulated deductions and municipal contributions made on behalf of the member. An annual excess interest benefit is calculated in the same manner. Eligibility for retirement benefits are attained at age 62 provided the member has completed five years of credited service. Early retirement is available for members who terminate service after 20 years of credited service and are at least 55 years of age, at a rate actuarially reduced for each year or partial year prior to the effective date of retirement. Members are fully vested upon the completion of five years of credited service, provided the member files an application to vest with the Board of Directors within 90 days of the member's date of termination of service. There is no offset for social security retirement benefits received by a member.

Disability retirement benefits are determined in the same manner as retirement benefits, but are payable immediately upon an approved medical examiner's certification.

Death benefits prior to retirement are available to active or vested members and are effective as if the member had retired on the day immediately preceding death.

The following employees were covered by the benefit terms at December 31, 2017:

Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to, but not yet receiving benefits	-
Active employees	<u>6</u>
	<u><u>8</u></u>

Note 21 - Net Third-Party Settlement Agreements - Component Units

Pleasant Valley Manor, Inc. (the Manor)

The Commonwealth of Pennsylvania Department of Human Services (DHS) makes annual Medicaid Day One Incentive (MDOI) payments, paid in equal quarterly installments, to eligible county nursing facilities as an incentive to preserve the critical safety network county nursing facilities provide to the poor and indigent residents of Pennsylvania. MDOI payments totaled \$538,005 for the year ended December 31, 2017. In addition, intergovernmental transfers (IGT) of funds to DHS in order to provide the non-federal share of Medical Assistance payments to county nursing facilities were provided under annual Intergovernmental Transfer Agreements between DHS and Monroe County. Amounts recognized by the Manor under IGT agreements were \$981,697 for the year ended December 31, 2017.

Effective July 1, 2007, the DHS was given the authority to collect an assessment from county nursing facilities under the Pennsylvania Nursing Facility Assessment Program, which previously only applied to non-governmental licensed nursing facilities. The revenue from his assessment is used to maintain Medical Assistance rates and provide additional reimbursement to Medical Assistance participating nursing facilities. The Manor is required to pay the assessment on a quarterly basis based upon its quarterly census. For the year ended December 31, 2017, assessment payments totaling \$413,797 were recognized.

Total net third-party settlement agreements recognized for the year ended December 31, 2017 was \$1,105,905.

Note 22 - Commitments and Contingencies

Primary Government

Audit

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

Litigation

The County is a party to a number of lawsuits that have arisen in the course of business. It is the opinion of management, as advised by legal counsel, that these suits will not have a material effect on the financial statements of the County and no accruals have been made at December 31, 2017.

Loan Guarantees

As part of its affordable housing program, the County has guaranteed the outstanding debt of various entities totaling \$2,377,670, including accrued interest of \$127,030. The guaranteed loans mature between 2026 and 2050.

County of Monroe, Pennsylvania

Notes to Financial Statements

December 31, 2017

Note 22 - Commitments and Contingencies (continued)

Primary Government (continued)

Concentration of Labor

The County entered into collective bargaining agreements with employees expiring at various times through December 31, 2018. Of the County's total workforce, approximately 57% were covered by the collective bargaining agreements as of December 31, 2017.

Component Units

Monroe County Industrial Development Authority (MCIDA)

MCIDA functions as an intermediary between business and capital-providing financial institutions or individuals. Federal and state regulations allow certain tax benefits for the lending body, which results in favorable interest rates charged to the owner or lessee.

Legal title to property developed and financed is with MCIDA. The liability of MCIDA on all projects is limited to the property involved. All property costs, rights and responsibilities of ownership, except legal title, remain with the debtor.

On November 1, 1993, the County Commissioners created the Monroe County Revolving Loan Fund. The fund was created to provide low interest partial financing for eligible businesses and industries in designated portions of the County. MCIDA is responsible to assist in the application process to ensure that applicants meet the basic eligibility criteria. After the application is complete, it is the responsibility of the County Commissioners to review the applications and process approved loans.

Not reported in MCIDA's financial statements are various conduit debt obligations issued under the name of MCIDA. The bonds are not secured by or payable from revenues or assets of MCIDA. The faith and credit of MCIDA is not pledged to the payment of the principal of and interest on the bonds and MCIDA is not in any manner obligated to make any appropriations for the payments on these bonds. The bonds are secured by the pledged revenue of the entities on whose behalf the debt is obtained.

Balances of conduit debt outstanding are as follows at December 31, 2017:

Bonds

First National Community Bank, trustee for Diocese of Scranton, Notre Dame Junior and Senior High School; dated December 22, 2014	\$ 3,599,335
ESSA Bank & Trust, trustee for Pocono Mountain Public Library, Inc.; dated May 23, 2011	2,245,314
Univest Bank and Trust Company, trustee for Franconia Mennonite Camp Association, Inc.; dated September 20, 2012	<u>3,012,756</u>
	<u>\$ 8,857,405</u>

Note 22 - Commitments and Contingencies (continued)

Component Units (continued)

Pocono Mountains Industrial Park Authority (PMIPA)

PMIPA has acted as an agent to obtain financing for the projects listed below. There is no obligation on the part of the PMIPA for repayment of the loan principal or interest.

On February 1, 2015, the Monroe County Commissioners approved financing arranged by PMIPA for the St. Luke's Hospital - Monroe Project. The aggregate principal amount of \$80,000,000 will be used to acquire land and construct and equip a new hospital for Stroud Township, Pennsylvania.

The outstanding balance at December 31, 2017 is \$80,000,000. The financing was provided by the Bank of New York Mellon in the form of two separate bonds. The first, in the amount of \$31,665,000, carries interest at 5.0% and matures on August 15, 2040. The second, in the amount of \$48,335,000, carries interest at 4.0% and matures on August 15, 2045. The loan is secured by the Hospital's real property.

Note 23 - Risk Management

Primary Government

The County is a member of a public officials, general liability, prison malpractice, automobile, and property insurance pool. Under the terms of the pool, each member pays an annual contribution to the pool for their respective insurance coverage. In the event member contributions are not sufficient to cover claims, members will be assessed additional contributions. Premiums paid and charged to operations during the year ended December 31, 2017 amounted to \$484,911.

The County carries commercial insurance for other risks of loss, including employee benefits.

For the years ended December 31, 2017, there has been no significant reduction in insurance coverage from the prior year. In addition, settled claims have not exceeded the insurance coverage purchased for the years ended December 31, 2017, 2016, and 2015.

Component Units

Pleasant Valley Manor, Inc. (the Manor)

The Manor is self-insured for workers' compensation. It has established an account with a financial institution from which it makes contributions pays claims. The balance in this account at December 31, 2017 was \$7,241. A third-party administrator manages the plan and establishes estimated loss reserves which the Manor records as a liability in the financial statements. The estimated losses related to workers' compensation claims originating to December 31, 2017 was \$298,320. The Manor was insured for claims exceeding \$600,000, or \$1,000,000 in the aggregate per year, at December 31, 2017.

Note 23 - Risk Management (continued)

Component Units (continued)

Pleasant Valley Manor, Inc. (the Manor) (continued)

The Manor maintains occurrence based professional liability coverage through a commercial insurance carrier. Management believes no incidents have occurred or will be asserted that will exceed the Manor's insurance coverage's or will have a material adverse effect on the financial statements. At December 31, 2017, professional liability coverage was provided for the Manor in the amount of \$500,000 per occurrence and \$1,500,000 per annual aggregate.

Monroe County Conservation District (the District)

The District is covered under Monroe County's insurance policies to protect against loss. There were no claims made during the year in excess of coverage or in the three prior years. There have been no significant changes in coverage during that period.

Monroe County Industrial Development Authority (MCIDA), Pocono Mountains Industrial Park Authority (PMIPA), and Pocono Mountains Industries, Inc. (PMI)

MCIDA, PMIPA, and PMI are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which these entities carry commercial insurance. The entities have purchased various insurance policies to safeguard their assets from risk of loss. There have been no significant reductions in coverage from the prior year, and losses have not exceeded coverage during the fiscal year ended December 31, 2017, or either of the two prior years.

Pocono Mountains Municipal Airport Authority (PMMA)

PMMA pays insurance premiums to cover risks that may occur in normal operations. These risks include, but are not limited to, claims of employees for unemployment compensation benefits and workers' compensation benefits, losses relating to possible damage to buildings and contents, equipment and vehicles, and general tort claims and employee fidelity bond coverage and health and group life insurance. There have been no significant reductions in insurance coverage from the prior year. For the past three years, settlements of claims have not exceeded insurance coverage.

Monroe County Municipal Waste Management Authority (MWMA)

MWMA carries commercial property insurance on property and equipment in the aggregate sum of \$2,940,329. MWMA carries commercial liability insurance coverage in the amount of approximately \$2,000,000. MWMA also carries premium-based medical, dental, and vision coverage for all employees. During the year, there were no claims that exceeded the insurance coverage, nor has there been a reduction in insurance coverage in the past three years.

County of Monroe, Pennsylvania

Notes to Financial Statements

December 31, 2017

Note 24 - Prior Year Adjustment

The beginning net position was adjusted to reflect a change in net pension liability and related deferred outflows of resources and deferred inflows of resources as provided by the County's actuary. Net pension liability at January 1, 2017 decreased by \$23,075, while deferred outflows of resources and deferred inflows of resources at January 1, 2017 increased by \$132,716 and \$132,716, respectively. The net adjustment to the beginning net position of governmental activities reported in the government-wide statement of activities was an increase in the amount of \$23,075.

Note 25 - Subsequent Events

The County has evaluated subsequent events through September 14, 2018. This is the date the financial statements were available to be issued. No material events subsequent to December 31, 2017 were noted.

County of Monroe, Pennsylvania

Schedule of Changes in the County's Net Pension Liability and Related Ratios
Last Ten Fiscal Years*

	Years Ended December 31,			
	2017	2016	2015	2014
Total Pension Liability				
Service cost	\$ 2,929,355	\$ 2,853,454	\$ 2,695,312	\$ 2,637,498
Interest	6,862,319	6,508,149	6,006,658	5,636,139
Differences between expected and actual experience	(422,243)	792,463	279,793	(1,158,598)
Changes of assumptions	-	-	1,217,206	-
Benefit payments	(4,163,030)	(4,318,511)	(3,942,763)	(3,348,581)
Net Change in Total Pension Liability	5,206,401	5,835,555	6,256,206	3,766,458
Total Pension Liability, Beginning	91,903,768	86,068,213	79,812,007	76,045,549
Total Pension Liability, Ending (a)	\$ 97,110,169	\$ 91,903,768	\$ 86,068,213	\$ 79,812,007
Plan Fiduciary Net Position				
Contributions - employer	\$ 3,020,499	2,885,599	2,767,440	\$ 2,837,641
Contributions - member	1,707,948	1,608,107	1,498,112	1,437,818
Net investment income	12,716,799	5,895,894	(1,455,239)	4,706,389
Benefit payments, including refunds of member contributions	(4,163,030)	(4,318,511)	(3,942,763)	(3,348,581)
Administrative expenses	(29,113)	(23,754)	(31,261)	(34,773)
Other	6,956	1,160	-	8,152
Net Change in Plan Fiduciary Net Position	13,260,059	6,048,495	(1,163,711)	5,606,646
Plan Fiduciary Net Position, Beginning	82,374,132	76,325,637	77,489,348	71,882,702
Plan Fiduciary Net Position, Ending (b)	\$ 95,634,191	\$ 82,374,132	\$ 76,325,637	\$ 77,489,348
County's Net Pension Liability, Ending (a) - (b)	\$ 1,475,978	\$ 9,529,636	\$ 9,742,576	\$ 2,322,659
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	98.48%	89.63%	88.68%	97.09%
Covered Employee Payroll	\$ 27,248,223	\$ 26,459,240	\$ 25,204,263	\$ 25,142,130
County's Net Pension Liability as a Percentage of Covered Employee Payroll	5.42%	36.02%	38.65%	9.24%

* This schedule is intended to present information for ten years, but until a full ten-year trend is compiled, only the information for those years for which information is available is shown.

County of Monroe, Pennsylvania

Schedule of Pension Plan Contributions

Last Ten Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 3,020,499	\$ 2,885,599	\$ 2,767,440	\$ 2,837,641
Contributions in relation to the actuarially determined contribution	<u>3,020,499</u>	<u>2,885,599</u>	<u>2,767,440</u>	<u>2,837,641</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Employee Payroll	<u>\$ 27,248,223</u>	<u>\$ 26,459,240</u>	<u>\$ 25,204,263</u>	<u>\$ 25,142,130</u>
Contributions as percentage of covered employee payroll	11.09%	10.91%	10.98%	11.29%

Notes to Schedule

Valuation dates **January 1, 2017** January 1, 2016 January 1, 2015 January 1, 2014

Actuarially determined contribution rates are calculated as of January 1 of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates are as follows:

Actuarial Cost Method	Entry age
Amortization Method	Level dollar
Remaining Amortization Period	18 years
Asset Valuation Method	Five year smoothed market
Inflation	3.00%
Salary Increases	4.50% average, including inflation
Investment Rate of Return	7.50%, net of pension investment expense, including inflation
Retirement Age	Age 60 or 55 with 20 years of service
Mortality	2013 RP Annuitant and Non-Annuitant Mortality Tables for males and females with no projected improvement

* This schedule is intended to present information for ten years, but until a full ten-year trend is compiled, only the information for those years for which information is available is shown.

County of Monroe, PennsylvaniaSchedule of Pension Plan Investment Returns
Last Ten Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014*</u>
Annual money-weighted rate of return, net of investment expense	11.47 %	8.53 %	(2.64) %	8.20 %

* This schedule is intended to present information for ten years, but until a full ten-year trend is compiled, only the information for those years for which information is available is shown.

County of Monroe, Pennsylvania

Budgetary Comparison Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget
(U.S. GAAP Basis) to Actual - General Fund
Year Ended December 31, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Real estate taxes, net	\$ 39,884,101	\$ 39,890,601	\$ 40,591,472	\$ 700,871
Licenses and permits	41,500	41,500	46,943	5,443
Intergovernmental	5,892,866	5,929,827	5,850,914	(78,913)
Charges for services	9,670,945	9,761,709	10,407,442	645,733
Hotel room rental tax	210,000	210,000	274,955	64,955
Investment income	107,525	107,525	179,578	72,053
Miscellaneous	209,436	209,436	219,334	9,898
Rental income	211,648	211,648	205,320	(6,328)
Total Revenues	56,228,021	56,362,246	57,775,958	1,413,712
Expenditures				
General government - administrative	12,451,026	12,496,727	15,452,062	(2,955,335)
General government - judicial	15,539,607	15,571,409	14,708,184	863,225
General government - public safety	23,155,054	23,186,290	22,172,296	1,013,994
General government - public works	96,388	96,855	85,762	11,093
Human services	534,988	534,988	534,988	-
Culture and recreation	70,000	70,000	70,000	-
Conservation and development	2,408,095	2,433,114	2,243,787	189,327
Total Expenditures	54,255,158	54,389,383	55,267,079	(877,696)
Excess of Revenues over Expenditures	1,972,863	1,972,863	2,508,879	536,016
Other Financing Sources (Uses)				
Operating transfers in	-	2,881,583	49,310	(2,832,273)
Operating transfers out	(5,076,700)	(5,076,700)	(5,186,158)	(109,458)
Transfers to component units	(49,988)	(2,931,571)	(49,947)	2,881,624
Total Other Financing Sources (Uses)	(5,126,688)	(5,126,688)	(5,186,795)	(60,107)
Net Change in Fund Balance	\$ (3,153,825)	\$ (3,153,825)	(2,677,916)	\$ 475,909
Fund Balance, Beginning of Year			22,505,020	
Fund Balance, End of Year			\$ 19,827,104	

County of Monroe, Pennsylvania

Note to Budgetary Comparison - Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget (U.S. GAAP Basis) to Actual Year Ended December 31, 2017

Note 1 - Stewardship, Compliance, and Accountability

Commonwealth of Pennsylvania law (the County Code) requires that county governments establish budgetary systems and adopt annual operating budgets. The County's annual budget includes the General Fund, certain Special Revenue Funds, and the Debt Service Fund and is based on estimates of revenues and expenditures approved by the Commissioners. The County follows these procedures detailed in the County Code in establishing the budgetary data reflected in the financial statements. The following summarizes the County's budget process:

1. The Commissioners, at least 30 days prior to adopting the budget, shall begin the preparation of the proposed budget for the succeeding fiscal year.
2. The Controller shall transmit to the Commissioners comparative statements of revenues for the current and the immediately preceding fiscal year and comparative statements of expenditures, including interest due or to be due on all lawful interest-bearing debts of the County for the same years.
3. All appropriation requests are submitted by County offices and agencies to the Commissioners via the Fiscal Affairs Office.
4. The Controller's statements, in such form and detail as the Commissioners direct, shall be prepared upon a form or forms furnished, as provided in this subdivision, by the Department of Community and Economic Development of the Commonwealth. With this information as a guide, the Commissioners shall, within a reasonable time, begin the preparation of a proposed budget for the succeeding fiscal year.
5. The proposed budget shall be prepared and adopted not later than December 31, and notice thereof shall be published, and the proposed budget shall be made available for public inspection, for at least 20 days prior to the date set for adopting the budget. The date set for final action on the budget shall likewise be made a matter of public notice for at least ten days prior thereto.
6. Formal budgeting process is employed as a planning device. The budget adopted is on a basis of accounting consistent with accounting principles generally accepted in the United States of America. Budget amounts are as amended by the County Commissioners.

The County maintains budgeting control at an individual fund level. Unexpended appropriations lapse at year end. During the course of the year, departmental needs may change, emergencies may occur or additional revenue resources may arise. As a result, funds are occasionally transferred between line items of the department's budget or additional revenues may need to be budgeted for a specific project or grant. Adjustments to the budget are made on a line item basis during the year and are approved by the County Commissioners. Financial analysis is provided monthly to management showing spending levels in comparison to the current budget. The budget is also reviewed by management with other departments.

Under GASB Statement No. 34, budgetary comparison information is required to be presented for the General Fund and each major Special Revenue Fund with a legally adopted budget. The County is not legally required to adopt a budget on a calendar year basis for the Children and Youth Fund. Therefore, no budgetary comparison information is presented for this fund as part of the County's required supplementary information.

County of Monroe, Pennsylvania

Note to Budgetary Comparison - Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget (U.S. GAAP Basis) to Actual
Year Ended December 31, 2017

Note 1 - Stewardship, Compliance, and Accountability (continued)**Excess of Expenditures over Budget**

The County's excess expenditures over budgeted amounts for administrative expenditures was funded by excess revenues over budgeted amounts and beginning fund balances.