

COUNTY OF INDIANA, PENNSYLVANIA

INDIANA, PENNSYLVANIA

**FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014**

COUNTY OF INDIANA, PENNSYLVANIA
YEAR ENDED DECEMBER 31, 2014

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Zelenkofske Axelrod LLC

INDEPENDENT AUDITORS' REPORT

County Commissioners
County of Indiana
Indiana, 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 INDIANA, PENNSYLVANIA as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the COUNTY OF INDIANA, PENNSYLVANIA'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 aggregate discretely presented component unit financial statements of Highridge Water Authority or Indiana County Municipal Services Authority, whose statements reflect total assets, net position, and revenues comprising 100% of the 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 them, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of Highridge Water Authority and the financial statements of the Communities at Indian Haven, Inc. were not audited in accordance with Government Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements.

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 risk of material misstatement on 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

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the appropriateness of accounting policies used and the reasonableness of the significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the reports of 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 for the COUNTY OF INDIANA, PENNSYLVANIA as of December 31, 2014, and the respective changes in the financial position and cash flows, where applicable, thereof for the year ended in conformity with the accounting principles generally accepted in the United States of America.

Adoption of GASB Statements

As described in Note 1 to the financial statements, in 2014 the COUNTY OF INDIANA adopted the provisions of Governmental Accounting Standards Board's Statement No. 67, "*Financial Reporting for Pension Plans-an Amendment of GASB Statement No 25*," GASB Statement No. 69 "*Government Combinations and Disposals of Government Operations*," and GASB issued Statement No. 70, "*Accounting and Financial Reporting for Non-exchange Financial Guarantees*." Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in the net pension liability and related ratios, schedule of employer contributions- last 10 years, schedule of investment returns, schedule of funding progress and employer contributions, and budgetary comparison – general fund information on pages 4 through 16 and 67 through 71 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.

Zelenkofske Axelrod LLC

County Commissioners
County of Indiana
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Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the COUNTY OF INDIANA, PENNSYLVANIA's financial statements as a whole. The combining and individual nonmajor fund financial statements and combining discretely presented component unit financial statements on pages 73 through 88 are presented for purposes of additional analysis and are not a required part of the financial statements.

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

Zelenkofske Axelrod LLC

ZELENKOFKSKE AXELROD LLC

September 16, 2015
Pittsburgh, Pennsylvania

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2014

The COUNTY OF INDIANA, hereafter referred to as the "COUNTY", is pleased to present its financial statements developed in compliance with Statement of Governmental Accounting Standard No. 34, entitled "Basic Financial Statements – Management's Discussion and Analysis – For State and Local Governments (hereafter "GASB 34"), and related standards. GASB 34 enhances information provided to the users of its financial statements. This section of the financial reporting package presents our discussion and analysis of the COUNTY's financial performance during the year that ended on December 31, 2014. Please read this Management Discussion and Analysis in conjunction with the COUNTY's financial statements that follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists of the following four parts:

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

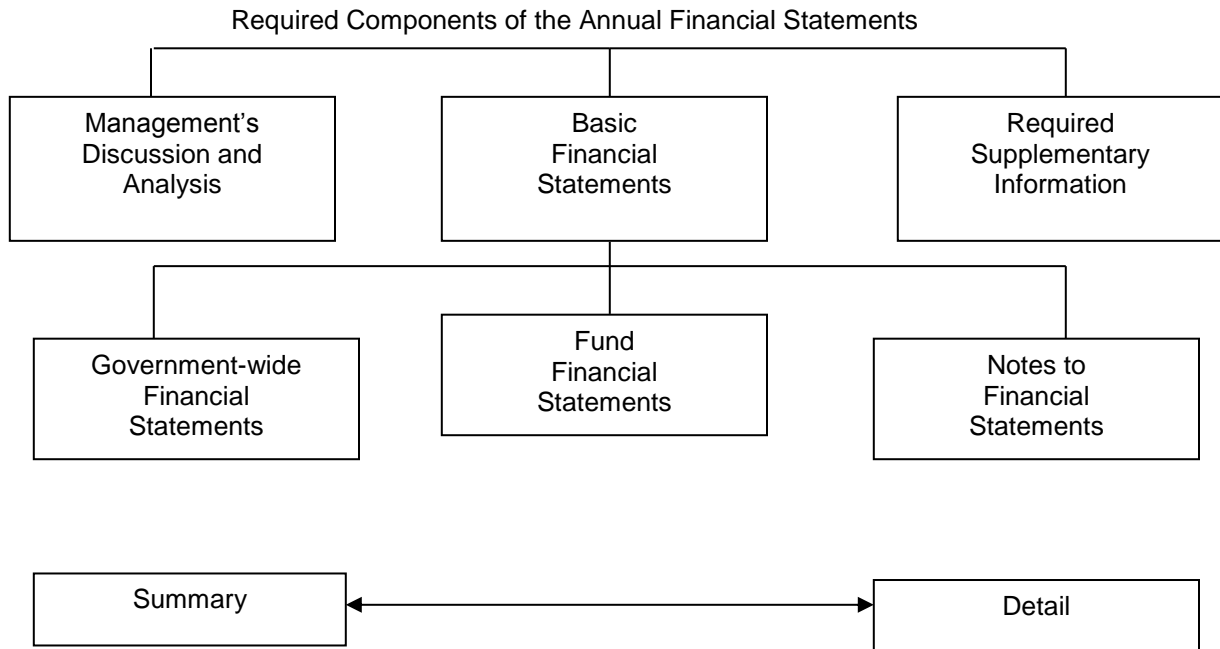
Management's discussion and analysis is a guide to reading the financial statements and provides related information to help the reader to better understand the COUNTY's government. The basic financial statements include notes that provide additional information essential to a full understanding of the financial data provided in the government-wide and fund financial statements. Required supplementary information is provided on the COUNTY's budget to actual figures for the general fund, schedule of changes in the net pension liability and related ratios, schedule of employer contributions- last 10 years, schedule of investment returns, and schedule of funding progress and employer contributions.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014**

Table A-1: Organization of the County's annual financial report



**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014**

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

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

	Government-wide Statements	Fund Financial Statements		
		<u>Governmental</u>	<u>Proprietary</u>	<u>Fiduciary</u>
Scope	Entire entity (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 Communities at Indian Haven	Instances in which the County administers resources on behalf of others
Required Financial Statements	-Statement of net position -Statement of activities	-Balance Sheet -Statement of revenues, expenditures and changes in fund balances	-Statement of net position -Statement of revenues, expenses and changes in net position -Statement of cash flows	-Statement of fiduciary net position
Accounting basis and measurement focus	Accrual	Modified Accrual	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset and liability information	All assets and liabilities, 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, short-term and long-term	All assets and liabilities, short-term and long-term
Type of inflow and outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenue for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2014

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

Government-wide financial statements

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

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

All changes to net position are reported using the economic resources measurement focus and the accrual basis of accounting, which requires that revenues be reported when they are earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow.

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

The primary government and its component units are included in the government-wide financial statements. The component units reflect the activities of the legally separate government entities over which the COUNTY can exercise influence and/or be obligated to provide financial support. The COUNTY has two discretely presented component units that it reports in the financial statements – Indiana County Municipal Services Authority and Highridge Water Authority. The County also reports one blended component unit, The Communities at Indian Haven, complete and detailed financial statements for these component units can be obtained from their administrative offices (see Note 1, Notes to the financial statements).

There are two categories of activities for the primary government:

- *Governmental activities* include the COUNTY's basic services such as general government, judicial, public safety, public works, human services, culture and recreation, and conservation and development.
- *Business-type activities* such as the Communities at Indian Haven charge a fee to customers to help cover the costs of services.

Net position of the governmental activities differ from the governmental fund balances because governmental fund level statements only report transactions using or providing current financial resources. Also, capital assets in the fund level statements are reported as expenditures when financial resources (money) are expended to purchase or build assets. Likewise, the financial resources that may have been borrowed are considered revenue when they are received. The principal and interest payments are both considered 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2014

Government wide statements are reported on the accrual basis of accounting that involves the following steps to format the statement of net position:

- Capitalize current outlays for capital assets
- Report long-term debt as a liability
- Depreciate capital assets and allocate the depreciation to the proper program/activities
- Allocate net position balances as follows:
 - Net investment in capital assets
 - Restricted net position are those with constraints placed on the use by external sources (creditors, grantors, contributors, or laws or regulations of governments) or imposed by law through constitutional provisions or enabling legislation
 - Unrestricted net position is net position that does not meet any of the above restrictions

Fund Financial Statements

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

The COUNTY has three kinds of funds:

- *Governmental funds* include most of the COUNTY's basic services and focus on: (1) the flow in and out of cash and other financial assets that can readily be converted into cash, and: (2) the balances left at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting.

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

The COUNTY adopts an annual budget for the general fund, as required by state law. The County also adopts a budget for the capital projects and liquid fuels fund. A budgetary comparison of the COUNTY's general fund is presented as required supplementary information.

- *Proprietary Funds* report business-type programs and activities that charge fees designed to recover the cost of providing services. The proprietary fund reports using the accrual basis of accounting.
- *Fiduciary Funds* are for which the COUNTY is the trustee or fiduciary. These include certain agency funds, or clearing accounts for assets held by the COUNTY in its role as custodian until the funds are allocated to the private parties, organizations or government agencies to which they belong. The COUNTY is responsible to ensure the assets reported in these funds are used for their intended purposes. This fiduciary activity is reported in a separate statement of fiduciary net position. These funds are excluded from the COUNTY's government-wide financial statements because the COUNTY cannot use these assets to finance its operations. The fiduciary funds are reported using the accrual basis of accounting.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014**

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Net Position

The COUNTY's total assets were \$124,522,097 at December 31, 2014. Of this amount, \$80,412,825 were capital assets.

GASB No. 34 required that all capital assets, including infrastructure, be valued and reported within the governmental activities column of the government-wide financial statements, but allowed infrastructure to be added over several years. The COUNTY adopted the provisions of GASB 34 related to infrastructure on the retroactive basis.

Condensed Statement of Net Position – 2014/2013

	2014	2013	2014	2013	2014	2013
	Governmental	Governmental	Business-	Business-	Total	Total
	Activities	Activities	type	type		
	Activities	Activities	Activities	Activities	Total	Total
Capital Assets	\$ 78,883,734	\$ 81,177,288	\$ 1,529,091	\$ 1,634,975	\$ 80,412,825	\$ 82,812,263
Other Assets	40,375,239	40,011,570	3,734,033	3,930,547	44,109,272	43,942,117
Total Assets	<u>\$ 119,258,973</u>	<u>\$ 121,188,858</u>	<u>\$ 5,263,124</u>	<u>\$ 5,565,522</u>	<u>\$ 124,522,097</u>	<u>\$ 126,754,380</u>
Current Liabilities	\$ 5,949,970	\$ 6,628,550	\$ 730,799	\$ 746,614	\$ 6,680,769	\$ 7,375,164
Long-term Liabilities	55,965,792	57,093,661	449,923	884,077	56,415,715	57,977,738
Total Liabilities	<u>\$ 61,915,762</u>	<u>\$ 63,722,211</u>	<u>\$ 1,180,722</u>	<u>\$ 1,630,691</u>	<u>\$ 63,096,484</u>	<u>\$ 65,352,902</u>
Net Position:						
Net Investment In Capital Assets	\$ 29,471,951	\$ 31,602,572	\$ 641,673	\$ 326,400	\$ 30,113,624	\$ 31,928,972
Restricted Net Position	7,582,027	8,139,757	41,331	63,719	7,623,358	8,203,476
Unrestricted Net Position	20,289,233	17,724,318	3,399,398	3,544,712	23,688,631	21,269,030
Total Net Position	<u>\$ 57,343,211</u>	<u>\$ 57,466,647</u>	<u>\$ 4,082,402</u>	<u>\$ 3,934,831</u>	<u>\$ 61,425,613</u>	<u>\$ 61,401,478</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014**

Change in Net Position

The following statement of activities represents the change in net position for the year ended December 31, 2014. It shows revenues by source and expenses by function for governmental activities, business-type activities and the government as a whole.

	Condensed Statement of Activities					
	2014	2013	2014	2013	2014	2013
	Governmental Activities	Governmental Activities	Business-type Activities	Business-type Activities	Total	Total
Program Revenues:						
Charges for Services	\$ 5,044,343	\$ 5,066,865	\$ 9,151,997	\$ 9,213,044	\$ 14,196,340	\$ 14,279,909
Grants and Contributions	12,621,618	16,035,993	-	-	12,621,618	16,035,993
General Revenues:						
Property Taxes	21,625,382	21,595,465	-	-	21,625,382	21,595,465
Hotel Taxes	389,289	378,385	-	-	389,289	378,385
Unrestricted						
Investment Earnings	86,788	75,906	-	875	86,788	76,781
Transfers	281,309	586,016	(281,309)	(586,016)	-	-
Miscellaneous Revenue	275,443	175,132	2,361	3,727	277,804	178,859
Gain/(Loss) on disposal of assets	9,755	254	-	-	9,755	254
Total Revenues	<u>\$ 40,333,927</u>	<u>\$ 43,914,016</u>	<u>\$ 8,873,049</u>	<u>\$ 8,631,630</u>	<u>\$ 49,206,976</u>	<u>\$ 52,545,646</u>
Expenses:						
General Government - Administrative	\$ 6,419,053	\$ 6,721,125	\$ -	\$ -	\$ 6,419,053	\$ 6,721,125
General Government - Judicial	6,347,145	6,310,687	-	-	6,347,145	6,310,687
Public Safety	12,271,110	11,306,455	-	-	12,271,110	11,306,455
Public Works	2,692,286	703,393	-	-	2,692,286	703,393
Human Services	7,741,263	8,032,307	8,725,478	8,761,080	16,466,741	16,793,387
Culture and Recreation	1,227,893	1,214,565	-	-	1,227,893	1,214,565
Conservation and Development	2,382,520	1,585,890	-	-	2,382,520	1,585,890
Interest on Long-Term Debt	1,376,093	1,826,038	-	-	1,376,093	1,826,038
Total Expenses	<u>40,457,363</u>	<u>37,700,460</u>	<u>8,725,478</u>	<u>8,761,080</u>	<u>49,182,841</u>	<u>46,461,540</u>
Change in Net Position	<u>(123,436)</u>	<u>6,213,556</u>	<u>147,571</u>	<u>(129,450)</u>	<u>24,135</u>	<u>6,084,106</u>
Net Position - January 1	<u>57,466,647</u>	<u>51,253,091</u>	<u>3,934,831</u>	<u>4,064,281</u>	<u>61,401,478</u>	<u>55,317,372</u>
Net Position - December 31	<u>\$ 57,343,211</u>	<u>\$ 57,466,647</u>	<u>\$ 4,082,402</u>	<u>\$ 3,934,831</u>	<u>\$ 61,425,613</u>	<u>\$ 61,401,478</u>

**MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2014**

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 2014, property and per capita taxes brought in \$21,625,382.

Net Cost of Governmental and Business-type Activities

	2014 Total Cost of Services	2013 Total Cost of Services	2014 Net Cost of Services	2013 Net Cost of Services
Program:				
General Government-Administrative	\$ 6,419,053	\$ 6,721,125	\$ (4,297,162)	\$ (4,821,618)
General Government-Judicial	6,347,145	6,310,687	(3,543,291)	(2,971,878)
Public Safety	12,271,110	11,306,455	(9,166,053)	(7,983,839)
Public Works	2,692,286	703,393	(2,002,575)	3,021,644
Human Service	7,741,263	8,032,307	(833,846)	(837,363)
Culture and Recreation	1,227,893	1,214,565	(1,087,399)	(1,096,029)
Conservation and Development	2,382,520	1,585,890	(484,983)	(82,481)
Interest on Long-Term Debt	1,376,093	1,826,038	(1,376,093)	(1,826,038)
Communities at Indian Haven	<u>8,725,478</u>	<u>8,761,080</u>	<u>426,519</u>	<u>451,964</u>
Total	<u>\$ 49,182,841</u>	<u>\$ 46,461,540</u>	<u>\$ (22,364,883)</u>	<u>\$ (16,145,638)</u>

The COUNTY relied on property taxes and other general revenues to fund 45.09% of its governmental and business-type activities in 2014.

**MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2014**

Capital Assets

The COUNTY's investment in capital assets at December 31, 2014, net of accumulated depreciation, was \$80,412,825. Capital assets consist primarily of land, buildings and equipment. The following is a summary of capital assets at December 31, 2014:

Capital Assets

	2014	2013	2014	2013	2014	2013
	Governmental	Governmental	Business-type	Business-type	Total	Total
	Activities	Activities	Activities	Activities	Total	Total
Land	\$ 2,046,564	\$ 2,016,564	\$ -	\$ -	\$ 2,046,564	\$ 2,016,564
Building and Improvements	62,575,393	64,963,093	4,369,176	4,307,645	66,944,569	69,270,738
Equipment and machinery	27,295,895	10,424,634	3,520,029	3,406,472	30,815,924	13,831,106
Construction in Progress	122,183	13,511,724	-	-	122,183	13,511,724
Infrastructure	18,235,428	18,235,428	-	-	18,235,428	18,235,428
Capitalized Interest	-	-	165,318	165,318	165,318	165,318
Accumulated Depreciation	<u>(31,391,729)</u>	<u>(27,974,155)</u>	<u>(6,525,432)</u>	<u>(6,244,460)</u>	<u>(37,917,161)</u>	<u>(34,218,615)</u>
Total Net Capital Assets	<u>\$ 78,883,734</u>	<u>\$ 81,177,288</u>	<u>\$ 1,529,091</u>	<u>\$ 1,634,975</u>	<u>\$ 80,412,825</u>	<u>\$ 82,812,263</u>

Detailed information about the COUNTY's capital assets can be found in Note 6, Notes to the Financial Statements.

MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2014

Debt Administration

At December 31, 2014, the COUNTY had \$59,391,206 of debt outstanding. Debt decreased 2.80% from the previous year. The following is a summary of debt obligations for the 2014 year:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<u>Governmental Activities</u>					
Bonds and Notes Payable:					
General Obligation Notes	\$ 59,290,326	\$ 2,278,515	\$ (3,147,267)	\$ 58,421,574	\$ 3,119,111
Total Bonds and Notes Payable	<u>59,290,326</u>	<u>2,278,515</u>	<u>(3,147,267)</u>	<u>58,421,574</u>	<u>3,119,111</u>
Other Liabilities:					
Capital Lease Obligations	94,283	66,341	(78,410)	82,214	43,056
Compensated Absences	<u>710,308</u>	<u>-</u>	<u>(86,137)</u>	<u>624,171</u>	<u>-</u>
Total Other Liabilities	<u>804,591</u>	<u>66,341</u>	<u>(164,547)</u>	<u>706,385</u>	<u>43,056</u>
Governmental Activities Long-Term Liabilities	<u>60,094,917</u>	<u>2,344,856</u>	<u>(3,311,814)</u>	<u>59,127,959</u>	<u>3,162,167</u>
<u>Business-Type Activities</u>					
General Obligation Notes	\$ 1,308,575	\$ -	\$ (421,157)	\$ 887,418	\$ 437,495
Business-Type Activities Long-Term Liabilities	<u>\$ 1,308,575</u>	<u>\$ -</u>	<u>\$ (421,157)</u>	<u>\$ 887,418</u>	<u>\$ 437,495</u>

See Note 10 for more information regarding long-term debt.

MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2014

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 inflows, outflows, and balances of spendable resources. Such information is useful in assessing the COUNTY's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the COUNTY's net resources available for spending at the end of the year.

The COUNTY's governmental funds include the general fund and various special revenue funds. The general fund is the chief operating fund for the COUNTY. Special revenue funds are restricted to specific legislated use. The major funds are shown on the statement of revenues, expenditures and changes in fund balances in the financial statements.

GOVERNMENTAL FUND REVENUES

Governmental fund revenues by source at December 31, 2014 and 2013 were as follows:

	<u>2014</u>	<u>2013</u>
Revenues:		
Taxes	\$ 22,213,990	\$ 21,694,643
Intergovernmental Revenues	12,621,618	16,035,992
Departmental Charges	3,445,422	3,444,339
Charges for Services	1,598,921	1,622,525
Interest	54,324	43,442
Other	275,443	175,132
Debt Proceeds	2,081,119	10,783,180
Amounts Received from Loans	807,499	717,082
Disposal of Fixed Assets	14,444	6,170
Capital Lease Proceeds	66,341	-
Operation Transfers In	<u>360,667</u>	<u>678,599</u>
Total Revenues	<u>\$ 43,539,788</u>	<u>\$ 55,201,104</u>

There are several factors relating to increases/decreases in revenues from 2013 to 2014. Tax revenue increased \$519,347 due to assess values and new properties coming into the tax rolls. Intergovernmental revenue decreased \$3,414,374 primarily due to airport runway capital project completion in 2013. Debt proceeds decreased \$8,717,931 due to the completion of the 911 Communications Upgrade Project.

**MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2014**

GOVERNMENTAL FUND EXPENDITURES

Governmental fund expenditures by function at December 31, 2014 and 2013 were as follows:

	<u>2014</u>	<u>2013</u>
Expenditures:		
General Government- Administrative	\$ 6,013,971	\$ 5,822,739
General Government-Judicial	6,288,360	6,359,415
Public Safety	11,348,329	11,264,854
Public Works	1,671,755	3,458,934
Human Services	7,736,173	8,052,188
Culture and Recreation	1,119,251	1,083,637
Conservation and Development	2,412,611	1,678,629
Debt Service	4,501,081	4,336,309
Capital Outlay	14,034	553,631
Payment to Escrow Agent for Debt Refunding	-	9,266,540
Amounts Loaned to Others	185,000	1,910,714
Operating Transfers Out	<u>79,358</u>	<u>92,583</u>
Total Expenditures	<u>\$ 41,369,923</u>	<u>\$ 53,880,173</u>

Payment to Escrow Agent for debt refunding decrease is due to a non-recurring debt refinancing. Public works decreased \$1,787,179 primarily due to airport runway capital project completion in 2013.

GOVERNMENTAL FUND BALANCES AND PROPRIETARY FUND NET POSITION

Ending balances for governmental funds and net position for proprietary funds at December 31, 2014 and 2013 were as follows:

<u>Fund</u>	<u>2014 Governmental Funds</u>	<u>2013 Governmental Funds</u>	<u>2014 Proprietary Funds</u>	<u>2013 Proprietary Funds</u>
General Fund	\$ 12,376,084	\$ 9,341,780	\$ -	\$ -
Community Program for Restoration	234,267	293,988	-	-
Revolving Loan	1,245,970	1,003,482	-	-
Nonmajor Governmental Funds	4,897,345	5,944,551	-	-
Communities at Indian Haven	<u>-</u>	<u>-</u>	<u>4,082,402</u>	<u>3,934,831</u>
Total	<u>\$ 18,753,666</u>	<u>\$ 16,583,801</u>	<u>\$ 4,082,402</u>	<u>\$ 3,934,831</u>

The reasons for the changes in governmental fund balances are explained above in the governmental funds revenues and expenditures sections.

**MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2014**

BUDGETARY HIGHLIGHTS

The COUNTY adopts an annual appropriated budget for its general fund, capital improvements fund, and liquid fuels fund. Detailed information about the COUNTY's 2014 general fund budget can be found in Required Supplemental Information.

Overall the COUNTY had a favorable variance of \$3,810,009 for actual results in comparison to budget. Numerous factors went in to these results. Revenue had a positive variance of \$1,527,273 due mainly to conservative estimate of collectible tax revenue and increased intergovernmental grants. Expenditures had a positive variance of \$1,556,620 for actual results in comparison to budget, largely resulting from decreased spending and debt refinancing.

ECONOMIC CONDITIONS AND NEXT YEAR'S BUDGET

Countywide tax reassessment is in its final stages to address the 30 mill real estate tax cap for operations as well as create fairness to all taxpayers of Indiana County. Health care costs will be a challenge for the 2016 Budget due to the Affordable Care Act and contract negotiations.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

County of Indiana
County Commissioners
825 Philadelphia Street
Indiana, PA 15701

Phone: 724-465-3805

COUNTY OF INDIANA, PENNSYLVANIA
STATEMENT OF NET POSITION
DECEMBER 31, 2014

Assets	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Cash and Cash Equivalents	\$ 16,183,723	\$ 1,523,980	\$ 17,707,703	\$ 1,646,499
Investments	684,577	-	684,577	-
Restricted Assets				
Cash and Cash Equivalents	-	41,331	41,331	882,566
Resident's Cash	-	28,770	28,770	-
Receivables (Net, where applicable, of Allowance for Uncollectibles)				
Accounts	769,503	1,357,464	2,126,967	1,065,307
Taxes	2,058,591	-	2,058,591	-
Loans	13,210,166	-	13,210,166	-
Due From Other Governments	2,515,649	-	2,515,649	-
Prepaid Assets	-	32,684	32,684	-
Inventory	-	-	-	88,649
Net Pension Asset	4,198,767	1,180,747	5,379,514	-
Other Assets	323,320	-	323,320	388,477
Internal Balances	430,943	(430,943)	-	-
Trustee Held Funds	-	-	-	206,905
Intangible Assets	-	-	-	1,480,238
Capital Assets: (Net)				
Depreciable	76,714,987	1,529,091	78,244,078	118,386,357
Non-depreciable	2,168,747	-	2,168,747	-
Total Assets	\$ 119,258,973	\$ 5,263,124	\$ 124,522,097	\$ 124,144,998
Liabilities				
Current Liabilities:				
Accounts Payable	\$ 1,697,490	\$ 176,073	\$ 1,873,563	\$ 293,370
Accrued Expenses	560,670	83,246	643,916	216,032
Unearned Revenues	15,065	-	15,065	-
Due to Other Governments	352,191	-	352,191	-
Funds Held in Fiduciary Capacity	-	28,770	28,770	-
Accrued Interest Payable on Debt	162,387	5,215	167,602	182,411
Line of Credit	-	-	-	246,384
Current Portions of Long-Term Liabilities:				
Loans and Notes Payable	3,119,111	437,495	3,556,606	4,145,657
Capital Lease Payable	43,056	-	43,056	62,409
Non-Current Portions of Long-Term Liabilities:				
Loans and Notes Payable	55,302,463	449,923	55,752,386	63,041,953
Capital Lease Payable	39,158	-	39,158	112,986
Compensated Absences	624,171	-	624,171	-
Total Liabilities	61,915,762	1,180,722	63,096,484	68,301,202
Net Position				
Net Investment in Capital Assets	29,471,951	641,673	30,113,624	44,430,979
Restricted Net Position				
Program Purposes	7,582,027	-	7,582,027	-
Bond Indenture	-	-	-	1,018,930
Capital projects	-	41,331	41,331	288,868
Unrestricted	20,289,233	3,399,398	23,688,631	10,105,019
Total Net Position	\$ 57,343,211	\$ 4,082,402	\$ 61,425,613	\$ 55,843,796

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

COUNTY OF INDIANA, PENNSYLVANIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Primary Government:								
Governmental Activities:								
General Government - Administrative	\$ 6,419,053	\$ 1,481,541	\$ 640,350	\$ -	\$ (4,297,162)	\$ -	\$ (4,297,162)	
General Government - Judicial	6,347,145	1,367,038	1,436,816	-	(3,543,291)	-	(3,543,291)	
Public Safety	12,271,110	1,799,735	1,305,322	-	(9,166,053)	-	(9,166,053)	
Public Works	2,692,286	24,809	664,902	-	(2,002,575)	-	(2,002,575)	
Human Services	7,741,263	187,277	6,720,140	-	(833,846)	-	(833,846)	
Culture and Recreation	1,227,893	110,367	30,127	-	(1,087,399)	-	(1,087,399)	
Conservation and Development	2,382,520	73,576	1,823,961	-	(484,983)	-	(484,983)	
Interest on Long-Term Debt	1,376,093	-	-	-	(1,376,093)	-	(1,376,093)	
Total Governmental Activities	40,457,363	5,044,343	12,621,618	-	(22,791,402)	-	(22,791,402)	
Business-Type Activities:								
Communities at Indian Haven	8,725,478	9,151,997	-	-	-	426,519	426,519	
Total Business-Type Activities	8,725,478	9,151,997	-	-	-	426,519	426,519	
Total Primary Government	\$ 49,182,841	\$ 14,196,340	\$ 12,621,618	\$ -	\$ (22,791,402)	\$ 426,519	\$ (22,364,883)	
Component Units:								
Indiana County Municipal Services Authority	\$ 7,119,278	\$ 5,873,459	\$ -	\$ 3,618,257				\$ 2,372,438
Highridge Water Authority	2,961,339	2,791,412	976,800	-				806,873
Total Component Units	\$ 10,080,617	\$ 8,664,871	\$ 976,800	\$ 3,618,257				\$ 3,179,311
General Revenues:								
Taxes:								
Property					21,625,382	-	21,625,382	-
Hotel Taxes					389,289	-	389,289	-
Unrestricted investment earnings					86,788	-	86,788	137
Gain From Sale of Assets					9,755	-	9,755	11,492
Miscellaneous					275,443	2,361	277,804	1,002,834
Contributed Capital					-	-	-	-
Transfers					281,309	(281,309)	-	-
Total General Revenues					22,667,966	(278,948)	22,389,018	1,014,463
Change in Net Position					(123,436)	147,571	24,135	4,193,774
Net Position - Beginning					57,466,647	3,934,831	61,401,478	51,650,022
Net Position - Ending					\$ 57,343,211	\$ 4,082,402	\$ 61,425,613	\$ 55,843,796

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

COUNTY OF INDIANA, PENNSYLVANIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	General Fund	Community Program for Restoration	Revolving Loan Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
<u>Assets</u>					
Cash and cash equivalents	\$ 9,259,425	\$ 246,384	\$ 1,246,969	\$ 5,430,945	\$ 16,183,723
Investments	-	2,531	-	682,046	684,577
Receivables:					
Taxes	2,058,591	-	-	-	2,058,591
Other governmental grants	823,048	-	-	1,692,601	2,515,649
Other	698,511	-	-	70,992	769,503
Loans	10,791,390	1,341,387	710,839	366,550	13,210,166
Due from other funds	2,522,532	498	-	33,077	2,556,107
Other assets	304,160	-	-	19,160	323,320
Total assets	\$ 26,457,657	\$ 1,590,800	\$ 1,957,808	\$ 8,295,371	\$ 38,301,636
<u>Liabilities</u>					
Accounts Payable	\$ 830,028	\$ 15,146	\$ 999	\$ 851,317	\$ 1,697,490
Accrued liabilities	560,670	-	-	-	560,670
Due to other funds	5,580	-	-	2,119,584	2,125,164
Due to other governments	291,616	-	-	60,575	352,191
Unearned revenues	15,065	-	-	-	15,065
Unearned loans receivable	10,791,390	1,341,387	710,839	366,550	13,210,166
Total liabilities	12,494,349	1,356,533	711,838	3,398,026	17,960,746
<u>Deferred Inflows of Resources</u>					
Unavailable Revenue - Property Taxes	1,587,224	-	-	-	1,587,224
Total Deferred Inflows of Resources	1,587,224	-	-	-	1,587,224
<u>Fund Balances</u>					
Nonspendable	304,160	-	-	19,160	323,320
Restricted	1,109,989	234,267	1,245,970	4,991,801	7,582,027
Assigned	5,293,072	-	-	-	5,293,072
Unassigned	5,668,863	-	-	(113,616)	5,555,247
Total fund balances	12,376,084	234,267	1,245,970	4,897,345	18,753,666
Total liabilities and fund balances	\$ 26,457,657	\$ 1,590,800	\$ 1,957,808	\$ 8,295,371	\$ 38,301,636

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

COUNTY OF INDIANA, PENNSYLVANIA
 RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 DECEMBER 31, 2014

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balances of governmental funds		\$ 18,753,666
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$110,275,463 and the accumulated depreciation is \$31,391,729.		78,883,734
Revenues not available to pay for current period expenditures and therefore reported as unearned revenue in the funds:		
Loans Receivable	12,025,558	
Installment Sales of County Property	1,184,608	
Real estate taxes	1,587,224	14,797,390
Pension assets resulting from contributions in excess of the annual required contribution are not financial resources and, therefore, are not reported in the funds:		4,198,767
Long-term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities. Both current and long-term liabilities are reported in the Statement of Net Position. Long-term liabilities at year-end consist of:		
Long-term debt	(58,421,574)	
Accrued interest on long-term debt	(162,387)	
Capital Lease Payable	(82,214)	
Compensated absences	(624,171)	(59,290,346)
Total net position of governmental activities		\$ 57,343,211

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

COUNTY OF INDIANA, PENNSYLVANIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (DEFICITS)
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	General Fund	Community Program for Restoration	Revolving Loan Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Taxes, Real estate	\$ 21,824,701	\$ -	\$ -	\$ -	\$ 21,824,701
Taxes, Hotel	-	-	-	389,289	389,289
Intergovernmental revenue	6,880,874	-	-	5,740,744	12,621,618
Charges for services	624,946	-	25,743	948,232	1,598,921
Departmental charges	3,445,422	-	-	-	3,445,422
Interest income	47,885	29	19	6,391	54,324
Other revenue	129,014	1,395	-	145,034	275,443
Total Revenues	32,952,842	1,424	25,762	7,229,690	40,209,718
Expenditures					
Current operating:					
General government	5,690,551	-	-	323,420	6,013,971
Judicial	5,246,422	-	-	1,041,938	6,288,360
Public safety	10,197,061	-	-	1,151,268	11,348,329
Public works	297,576	-	-	1,374,179	1,671,755
Human services	5,965,190	-	-	1,770,983	7,736,173
Culture and recreation	610,803	-	-	508,448	1,119,251
Conservation and development	242,005	133,611	13,952	2,023,043	2,412,611
Debt service					
Principal	3,139,063	-	-	8,204	3,147,267
Interest	1,353,609	-	-	205	1,353,814
Capital outlay	-	-	-	14,034	14,034
Total Expenditures	32,742,280	133,611	13,952	8,215,722	41,105,565
Excess (deficiency) of revenues over expenditures	210,562	(132,187)	11,810	(986,032)	(895,847)
Other financing sources (uses)					
Proceeds from long term debt	2,081,119	-	-	-	2,081,119
Proceeds from capital lease	33,861	-	-	32,480	66,341
Amounts received from loans	466,936	72,349	265,678	2,536	807,499
Disposal of fixed assets	14,159	-	-	285	14,444
Transfers in	284,208	117	-	76,342	360,667
Amounts loaned to others	-	-	(35,000)	(150,000)	(185,000)
Transfers out	(56,541)	-	-	(22,817)	(79,358)
Total other financing sources (uses)	2,823,742	72,466	230,678	(61,174)	3,065,712
Net change in fund balance	3,034,304	(59,721)	242,488	(1,047,206)	2,169,865
Fund balance (deficit), beginning of year	9,341,780	293,988	1,003,482	5,944,551	16,583,801
Fund balance, end of year	\$ 12,376,084	\$ 234,267	\$ 1,245,970	\$ 4,897,345	\$ 18,753,666

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

COUNTY OF INDIANA, PENNSYLVANIA
 RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2014

Amounts reported for governmental activities in the Statement of Activities are different because:

Net Change in fund balances - total governmental funds	\$	2,169,865
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.</p>		
Capital outlays	1,322,703	
Loss on assets disposed	(4,939)	
Depreciation expense	<u>(3,611,318)</u>	(2,293,554)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt.</p>		
Proceeds from long-term debt	(2,278,515)	
Change in interest payable on long-term debt	(22,499)	
Principal repayments and payments to escrow agent for debt refunding	<u>3,147,267</u>	846,253
<p>The acquisition of capital assets through capital lease arrangements are only expensed when the monthly payments made on the leases at the fund level. Such transactions only effect net position when new capital leases are entered into. This amount is the difference between capital lease payments and new capital lease obligations.</p>		
Payments made on capital lease obligations	78,410	
New capital assets acquired through capital leases	<u>(66,341)</u>	12,069
<p>Changes in loans receivable are reflected as an increase to revenue and expense in the fund statements, but shown as an increase or decrease to loans receivable on the statement of net position. The amortization of the discount on the loans receivable is reported as interest earnings in the statement of activities.</p>		
Loan discount amortized in current year	32,464	
Amounts loaned to others	185,000	
Amounts received from loans	<u>(807,499)</u>	(590,035)
Governmental funds do not report the changes in compensated absences:		86,137
Drawdowns of debt made in the current year to pay for prior year expenditures are included as an accrued other financing source at the fund level but in the prior year only recorded as a liability on the statement of net position. The accrued revenue is not recorded on the statement of activities		197,396
<p>Real estate taxes reported in the funds include receipt of prior year delinquent taxes and do not include revenue attributable to the current year's delinquent tax receivable. This amount is the net effect of these differences.</p>		
Current year	1,587,224	
Prior year	<u>(1,786,543)</u>	(199,319)
The change in the net pension asset does not require financial resources and is therefore not reported in the funds but is shown as an expense in the statement of activities.		<u>(352,248)</u>
Changes in net position of governmental activities	\$	<u>(123,436)</u>

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

COUNTY OF INDIANA, PENNSYLVANIA
STATEMENT OF NET POSITION
PROPRIETARY FUND
DECEMBER 31, 2014

Assets	Business-Type Activities - Enterprise Fund <u>The Communities at Indian Haven</u>
Current Assets:	
Cash and cash equivalents	\$ 1,523,980
Resident's cash	88,770
Accounts Receivable	1,357,464
Prepaid expenses and other current assets	<u>32,684</u>
Total current assets	<u>2,942,898</u>
Noncurrent assets:	
Cash, funded depreciation	41,331
Pension Asset	1,180,747
Capital Assets (net of accumulated depreciation of \$6,525,432)	<u>1,529,091</u>
Total noncurrent assets	<u>2,751,169</u>
Total assets	<u>5,694,067</u>
<hr/>	
Liabilities	
Current liabilities:	
Accounts payable	\$ 176,073
Accrued expenses	83,246
Due to other funds	430,943
Funds held in Fiduciary Capacity	28,770
Accrued interest payable	5,215
Current portion of long-term debt	<u>437,495</u>
Total current liabilities	<u>1,161,742</u>
Noncurrent liabilities:	
Notes payable	<u>449,923</u>
Total noncurrent liabilities	<u>449,923</u>
Total liabilities	<u>1,611,665</u>
<hr/>	
Net Position	
Net investment in capital assets	641,673
Restricted	41,331
Unrestricted	<u>3,399,398</u>
Total net position	<u>4,082,402</u>
Total liabilities and net position	<u>\$ 5,694,067</u>

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

COUNTY OF INDIANA, PENNSYLVANIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Business-Type Activities - Enterprise Fund</u> <u>The Communities at Indian Haven</u>
Operating Revenues	
Receipts from Providing Services	\$ 9,151,997
Other Revenue	<u>2,361</u>
Total Operating Revenues	<u>9,154,358</u>
Operating Expenses	
Human Services	8,406,054
Depreciation and amortization	<u>278,153</u>
Total Operating Expenses	<u>8,684,207</u>
Operating Income	470,151
Nonoperating Revenues (Expenses)	
Interest Income	-
Interest Expense	<u>(41,271)</u>
Total Nonoperating Expenses	<u>(41,271)</u>
Excess of revenues under expenditures	428,880
Transfers from other funds	2,899
Transfers to other funds	<u>(284,208)</u>
Total other financing uses	<u>(281,309)</u>
Change in Net Position	147,571
Net Position - Beginning of Year	<u>3,934,831</u>
Net Position - End of Year	<u>\$ 4,082,402</u>

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

COUNTY OF INDIANA, PENNSYLVANIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED DECEMBER 31, 2014

	2014
Cash flows from operating activities	
Cash received from residents	\$ 9,345,363
Other receipts	2,361
Cash paid for goods and services	(8,486,856)
Net cash provided by operating activities	860,868
Cash flows from investing activities	
Net decrease in cash, funded depreciation	22,388
Net cash provided by investing activities	22,388
Cash flows from capital and related financing activities	
Purchase of capital assets	(172,269)
Principal payments on note payable	(421,157)
Interest paid	(44,169)
Net cash used in capital and related financing activities	(637,595)
Cash flows from financing activities	
Transfers to other funds	(281,309)
Net cash used in financing activities	(281,309)
Net decrease in cash and cash equivalents	(35,648)
Beginning cash and cash equivalents	1,559,628
Ending cash and cash equivalents	\$ 1,523,980
 RECONCILIATION OF OPERATING INCOME TO NET CASH USED IN OPERATING ACTIVITIES	
Operating income	\$ 470,151
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	278,153
Decrease in pension asset	97,048
Decrease (increase) in assets	
Accounts receivable, net of allowances	193,366
Prepaid expenses	(3,743)
Decrease in liabilities	
Accounts payable	(17,950)
Accrued expenses	(1,051)
Due to other funds	(155,106)
Net cash provided by operating activities	\$ 860,868

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

COUNTY OF INDIANA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2014

	<u>Employee Retirement</u>	<u>Other Agency Funds</u>	<u>Total</u>
<u>Assets</u>			
Cash and Cash Equivalents	\$ 188,536	\$ 1,504,455	\$ 1,692,991
Due From Other Governments	-	671	671
Investments	<u>43,133,478</u>	<u>104,975</u>	<u>43,238,453</u>
Total Assets	<u>\$ 43,322,014</u>	<u>\$ 1,610,101</u>	<u>\$44,932,115</u>
<u>Liabilities</u>			
Liabilities			
Due to other governments	\$ -	\$ 1,351,896	\$ 1,351,896
Funds Held in Fiduciary Capacity	<u>-</u>	<u>258,205</u>	<u>258,205</u>
Total Liabilities	<u>-</u>	<u>1,610,101</u>	<u>1,610,101</u>
<u>Net Position</u>			
Employees' Pension Benefits	<u>43,322,014</u>	<u>-</u>	<u>43,322,014</u>
Total Net Position	<u>\$ 43,322,014</u>	<u>\$ -</u>	<u>\$43,322,014</u>

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

COUNTY OF INDIANA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
EMPLOYEE RETIREMENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Employee Retirement Trust Fund</u>
Additions:	
Contributions:	
Employee	\$ <u>884,856</u>
Total Contributions	<u>884,856</u>
Investment Income:	
Net appreciation in Fair Value of Investments	1,725,201
Interest and Dividends	<u>750,129</u>
Total Investment Income	2,475,330
Less: Investment Expense	<u>(104,199)</u>
Net Investment Income	<u>2,371,131</u>
Total Additions	<u>3,255,987</u>
Deductions	
Employee Benefits Paid	1,233,916
Members' Contributions Refunded	216,690
Administrative Expenses	<u>27,412</u>
Total Deductions	<u>1,478,018</u>
Net Increase	1,777,969
Net Position Held In Trust For Employees' Pension Benefits: Beginning of Year	<u>41,544,045</u>
End of Year	<u>\$ 43,322,014</u>

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

INDIANA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

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

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

The County of Indiana (the "County") was formed in 1803. The County operates under the direction of an elected three member Board of Commissioners and provides the following services: general administrative services, tax assessment and collections, judicial, public improvements, public safety, public works, human services, culture and recreation, and conservation and development. The accompanying financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") applicable to governmental units, as prescribed by the Governmental Accounting Standards Board ("GASB").

A) Reporting Entity

The County follows the criteria promulgated by the Governmental Auditing Standards Board ("GASB") No. 61 for purposes of determining the scope of its reporting entity. As required by accounting principles generally accepted in the United States of America, the financial statements include those of the County of Indiana (the "Primary Government") and its Component Units. The Component Units discussed below are included in the County's financial reporting entity because of their operational or financial relationship with the County.

1. Component Units

In conformity with GAAP, the financials of Component Units have been included in the financial reporting entity either as a Blended Component Unit or as a Discretely Presented Component Unit.

a. Blended Component Unit

Some component units, despite being legally separate from the primary government, are so intertwined with the primary government that they are, in substance, the same as the primary government and are reported as part of the primary government. The only component unit reported in this way is The Communities at Indian Haven, Inc.

The Communities at Indian Haven, Inc. (Indian Haven) is a 108 bed skilled nursing facility located in Indiana, Pennsylvania.

Indian Haven reports on a calendar year basis.

b. Discretely Presented Component Units

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

INDIANA COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

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

A) Reporting Entity (Continued)

1. Component Units (Continued)

b. Discretely Presented Component Units (Continued)

The Highridge Water Authority (the "Water Authority") was created pursuant to the Municipal Authorities Act of 1945. The organizational meeting was held April 25, 1991, at which time the By-laws were adopted. The purpose of the Water Authority is to acquire and provide water service to customers in the southern Indiana County and northeastern Westmoreland County areas. The County guarantees the debt of the Water Authority. A copy of the separate Financial Statements can be obtained at the Highridge Water Authority, 17 Maple Avenue, Blairsville, PA 15717.

The Water Authority operates on a calendar year basis.

The Indiana County Municipal Services Authority (the "Municipal Services Authority") is a body politic and corporate organized on April 23, 1972 under provisions of the Act of the General Assembly of the Commonwealth of Pennsylvania, approved May 2, 1945, P.L. 382, as amended and supplemented, known as the Municipality Authorities Act of 1945. The purpose of the Municipal Services Authority is to provide water and sewage service to areas of Indiana, Armstrong and Cambria Counties, Pennsylvania. The County guarantees the debt of the Municipal Services Authority. A copy of the separate Financial Statements can be obtained at the Indiana County Municipal Services Authority, 602 Kolter Drive, Indiana, PA 15701.

The Municipal Services Authority operates on a calendar year basis.

2. 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 the organization does not extend beyond making the appointments. These organizations include:

- Farmland Preservation
- Indiana County Airport Authority
- Indiana County Conservation District
- Indiana County Hospital Authority
- Indiana County Housing Authority
- Indiana County Redevelopment Authority
- Indiana County Solid Waste Authority
- Indiana County Transportation Authority
- Indiana County Development Corporation

INDIANA COUNTY
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2014

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

3. Joint Venture

The County participates in a joint venture with another governmental entity. Based upon the foregoing criteria, the County has determined that the joint venture should not be included in its financial reporting entity. The Armstrong-Indiana Mental Health and Mental Retardation Program was created for the delivery of various human services activities to the counties of Indiana and Armstrong. The counties exercise joint control and both counties have an ongoing financial responsibility to the joint venture. However, neither county has an ongoing financial interest or equity interest in the joint venture.

Condensed financial information for the joint venture as of and for the year ended June 30, 2014, is as follows:

Assets	<u>\$ 1,270,882</u>
Liabilities	<u>\$ 1,295,250</u>
Net Position	<u>\$ (24,368)</u>
Revenues	<u>\$ 7,669,908</u>
Expenditures	<u>\$ 7,643,077</u>
Net Income	<u>\$ 26,831</u>

B) Government-Wide and Fund Financial Statements

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

The Statement of Activities demonstrates the degree to which direct expenses of a given function, or segment, are affected by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

Program revenues include 1.) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2.) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

INDIANA COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

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

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

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

C) 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 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 as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available.

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

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

INDIANA COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

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

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

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

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

The County reports the following major governmental funds:

- The General Fund is the primary 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, commissions, the court system, and health and welfare services.
- Community Program for Restoration is used to account for a revolving loan program within the County which uses program income from several federal grant programs to make low interest loans to residents of the County for eligible projects such as house repairs or repairs of property damage.
- The Revolving Loan Fund is used to account the revolving loan program the County administers to stimulate economic development within the County by granting loans with low interest rates to businesses in the County. The loan program was originally established in 1993 with grant funding from the United States Economic Development Administration.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund.

INDIANA COUNTY
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2014

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

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

Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

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

The County reports the following major proprietary fund:

- The Communities at Indian Haven, an enterprise fund, is used to account for the operations of the County's nursing home.

The Communities at Indian Haven functions as a business-type activity, as defined by the Governmental Accounting Standards Board (GASB). Indian Haven's financial statements have been prepared using the economic resource focus and the accrual basis of accounting.

Additionally, the County reports the following fiduciary fund types:

- The Indiana County Employee's Retirement System Fund is a Pension Trust Fund used to account for the pension plan contributions of the County and its employees and the related benefit payments and other plan costs.
- The Agency Fund is used to account for assets held by certain County offices that are subsequently disbursed to the County, other governments, and other activities for which is was collected.

D) Assets, Liabilities, and Net Position or Fund Balance

1. Cash and Cash Equivalents

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

2. Investments

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

INDIANA COUNTY
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2014

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

D) Assets, Liabilities, and Net Position or Fund Balance (Continued)

3. Interfund Transactions

The County affects a variety of transactions between funds to finance operations. Certain interfund transactions have not been paid or received as of December 31, 2014, and appropriate interfund receivables or payables have been established accordingly.

Any residual balances outstanding between the governmental activities and business-type activities are reported as internal balances in the government-wide financial statements.

4. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the governmental activity column in the government-wide financial statements. Property, plant and equipment with initial, individual costs that equal or exceed \$5,000 and estimated useful lives of over one year are recorded as capital assets. The County adopted the provisions of GASB 34 related to infrastructure on the retroactive basis. Capital assets are recorded at historical costs or estimated historical costs if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are completed.

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

<u>Asset</u>	<u>Years</u>
Buildings and Improvements	20-40
Equipment and Vehicles	5-15
Infrastructure	50

5. Allowance for Doubtful Accounts

Taxes receivable have been reported net of allowance for doubtful accounts of \$862,696.

INDIANA COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

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

D) Assets, Liabilities, and Net Position or Fund Balance (Continued)

6. Long-Term Obligations

In the government-wide financial statements, long-term debt is reported as liabilities in the Statement of Net Position and bond discounts and premiums are deferred and amortized over the life of the bonds using the straight line method.

In the fund financial statements, the face amount of debt issued is reported as other financing sources.

7. Compensated Absences

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

8. Unearned Revenues

Unearned revenues are reported in the government-wide and enterprise fund financial statements. Unearned revenues represent unearned revenues or revenues which are measurable but not available and, in accordance with the modified accrual basis of accounting, are reported as unearned revenues. The County deems revenues received within 365 days of year end to be available.

9. Net Position/Fund Balances

The government-wide financial statements utilize a net position presentation. Net position are categorized as net investment in capital assets, restricted and unrestricted.

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

INDIANA COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

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

D) Assets, Liabilities, and Net Position or Fund Balance (Continued)

9. Net Position/Fund Balances (Continued)

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

- Non-spendable – This classification consists of accounts that cannot be spent because they are not in spendable form or are legally required to be maintained intact.
- Restricted – This classification consists of amounts that are restricted to specific purposes. The County's restricted fund balances consist of external enabling legislation for the state, federal, or local government.
- Committed – This classification consists of amounts used for specific purposes imposed by formal action of the County's Board of Commissioners. The removal or modification of the use of committed funds can only be accomplished by a formal action of the Commissioners prior to fiscal year end.
- Assigned – This classification consists of amounts constrained by the County's intent to be used for specific purposes that are neither restricted or committed. The County Commissioners have delegated the authority to assign fund balance for specific purposes to the Financial Supervisor.
- Unassigned – This classification consists of amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund is the only fund permitted to report a positive unassigned fund balance.

The County's GASB 54 policy is to first apply expenditures against any restricted fund balances, committed fund balances, assigned fund balances, and then unassigned fund balances, in that order.

10. Accounting Estimates

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

INDIANA COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

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

D) Assets, Liabilities, and Net Position or Fund Balance (Continued)

11. Deferred Inflows of Resources

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 government only has one type of item, which arises under a modified accrual basis of accounting that 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 revenue from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

12. Adoption of Governmental Accounting Standards Board Statements

The County adopted provisions of GASB issued Statement No. 67, "*Financial Reporting for Pension Plans-an Amendment of GASB Statement No 25*," GASB Statement No. 69 "*Government Combinations and Disposals of Government Operations*," and GASB issued Statement No. 70, "*Accounting and Financial Reporting for Non-exchange Financial Guarantees*." The adoption of GASB statement No. 67 required additional disclosures in Note 8 of the financial statements and the addition of three schedules presented as required supplementary information. The adoption of GASB statement No. 70 required an additional disclosure in Note 11 of the financial statements. The adoption of GASB statement No. 69 had no effect on the financial statements.

13. Pending Changes in Accounting Principles

In June of 2012, The GASB issued Statement No. 68, "*Accounting and Financial Reporting for Pension- an Amendment of GASB Statement No. 27*". The County is required to adopt statement No. 68 for its calendar year 2015 financial statements.

In November of 2013, the GASB issued Statement No. 71 "*Pension Transition for Contributions made Subsequent to the Measurement Date-an Amendment of GASB Statement No. 68*." The County is required to adopt statement No. 71 for its calendar year 2015 financial statements.

In February of 2015, the GASB issued Statement No. 72 "*Fair Value Measurement and Application*." The County is required to adopt Statement No. 72 for its calendar year 2016 financial statements.

In June of 2015, the GASB issued Statement No. 73, "*Accounting and Financial Reporting for Pensions and Related Assets that are not within the scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statement No 67 and 68*." The County is required to adopt Statement No. 73 for its calendar year 2015 financial statements.

INDIANA COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

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

13. Pending Changes in Accounting Principles (Continued)

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

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

In June of 2015, the GASB issued Statement No. 76 "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.*" The County is required to adopt statement No. 76 for its calendar year 2016 financial statements.

In August of 2015, the GASB issued Statement No. 77 "*Tax Abatement Disclosures.*" The County is required to adopt statement No. 77 for its calendar year 2016 financial statements.

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

E) Component Unit – Summary of Significant Accounting Policies

Highridge Water Authority

Basis of Accounting

The financial statements of the authority have been prepared on the accrual basis of accounting.

Cash and Cash Equivalents

For purposes of the balance sheet, the authority considers non-restricted, highly liquid short-term investments that have an original maturity of three months or less to be cash equivalents.

Property

Property is stated at cost. Depreciation is provided on a straight-line basis over the estimated useful life of the respective asset which lives range from 5 to 125 years. Maintenance and repairs are charged to income as incurred and renewals and betterments are capitalized.

Goodwill

The excess acquisition cost over the fair market value of net position acquired is being amortized using the straight-line method over a period of 40 years. Amortization expense for 2014 amounted to \$73,985.

INDIANA COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

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

E) Component Unit – Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Indiana County Municipal Services Authority

Basis of Accounting

The financial statements of the authority have been prepared on the accrual basis of accounting.

Cash and Cash Equivalents

The Municipal Services Authority considers all liquid investments that are readily convertible to cash with an original maturity of three months or less to be cash equivalents.

Accounts receivable – trade

Accounts receivable – trade are reported at net realizable value. Accounts are charged to bad debt expense when deemed uncollectible based on a periodic review by management. The allowance for doubtful accounts is estimated based upon periodic review of individual accounts. The allowance for doubtful accounts was approximately \$250,000.

Designated assets

Designated assets consist of cash and money market accounts that are designed for the following purposes:

Debt Service Fund – Established to account for funds held for payment of principal and interest on water and sewer revenue bonds designated by bond indentures as debt service reserves.

Debt Service Reserve and Repair Fund – Established in compliance with requirements of the United States Department of Agriculture, Rural Utilities Service (“RUS”) notes to accumulate funds for the purpose of paying the cost of repairing or replacing any damage of the water system which may be caused by any unforeseen catastrophe.

Construction Fund – Established to control funds from various sources to be used for the purchase and renovation of water and sewage facilities.

INDIANA COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

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

E) Component Unit – Summary of Significant Accounting Policies (Continued)

Indiana County Municipal Services Authority (Continued)

Utility plant

Utility plant is recorded at historical cost and consists of utility plant, equipment, furniture and fixtures. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets.

The Municipal Services Authority follows the policy of capitalizing interest on assets constructed for its own use as a component of the cost of utility plant. In 2014, \$160,805 of interest was capitalized as part of the various construction projects.

Capital Grants and contributions

The Municipal Services Authority receives capital grants from certain federal and state agencies to be used for various purposes connected with the planning and construction of water and sewage systems and equipment. Capital grants of the Municipal Services Authority are reported as revenue rather than contributed capital as required by GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2: BUDGETARY DATA

Commonwealth of Pennsylvania statutes require that all County Governments establish budgetary systems and approve annual operating budgets. The County's annual budget relates to only the General Fund and the Liquid Fuels Fund, and is based on estimates of revenues and expenditures approved by the Board of County Commissioners. The County of Indiana adopted the 2014 budget on the same basis of accounting as reported in the fund financial statements. The County of Indiana follows these procedures in establishing the budgetary data reflected in the financial statements:

County Budget Process

1. During the fall, preliminary individual budgets are prepared by each department or agency and are reviewed by the Commissioners.
2. During November, the County Commissioners, or their designee, meet with the head of each department and agency to review proposed changes to the preliminary budget.
3. The Commissioners' Office then reassembles the preliminary budget data and prepares a final budget draft including all proposed expenditures and the financing plan, incorporating any revisions or adjustments evolving from the departmental meetings.

INDIANA COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

NOTE 2: BUDGETARY DATA (CONTINUED)

4. In early December, the final budget is presented at a public Commissioners' meeting. In accordance with statutes contained in the County Code, public notice is given that the proposed budget is available for inspection for a twenty-day period.
5. Prior to December 31, after the twenty-day inspection period, the County Commissioners, at a public meeting properly announced, the final budget is adopted by resolution.
6. Formal budgeting integration is employed as a planning device. The budget adopted is on the modified accrual basis. Budget amounts are as originally adopted, or as amended by the County Commissioners.

- Level of Control

The County maintains budgeting control at the individual fund level.

- Lapsing of Appropriations

Unexpended appropriations lapse at year-end.

Management Amendment Authority

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

INDIANA COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

NOTE 3: DEPOSIT AND INVESTMENT RISK

As of December 31, 2014, the County had the following investments:

	<u>Cost</u>	<u>Market</u>
Governmental Funds		
Community Program for Restoration		
Certificates of Deposit	\$ 2,531	\$ 2,531
Nonmajor Governmental Funds		
Certificates of Deposit	<u>682,046</u>	<u>682,046</u>
Total Governmental Funds	<u>684,577</u>	<u>684,577</u>
Fiduciary Funds		
Agency Funds		
Certificates of Deposit	104,975	104,975
Retirement Fund		
U.S. Government Securities	4,803,741	4,825,932
Corporate Bonds	5,126,034	5,116,388
Municipal Bonds	101,722	101,154
Common Stock	2,258,433	3,275,266
Certificates of Deposit	1,613,310	1,614,295
Mutual Funds	<u>19,155,614</u>	<u>28,200,443</u>
Total Fiduciary Funds	33,163,829	43,238,453
Total Investments	<u>\$ 33,848,406</u>	<u>\$ 43,923,030</u>

As of December 31, 2014, the County's governmental activities and Agency Fund investments were contained entirely within Certificates of Deposit and will mature within 1 year.

As of December 31, 2014, the County's retirement fund had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>1 Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>	<u>10+ Years</u>
Corporate Bonds	\$ 5,116,388	\$ 165,831	\$ 2,721,472	\$ 1,957,708	\$ 271,377
Certificates of Deposit	1,614,295	228,442	1,385,853	-	-
Municipal Bonds	101,154	-	101,154	-	-
US Government Agencies	<u>4,825,932</u>	-	<u>1,210,487</u>	<u>1,667,299</u>	<u>1,948,146</u>
Total	<u>\$ 11,657,769</u>	<u>\$ 394,273</u>	<u>\$ 5,418,966</u>	<u>\$ 3,625,007</u>	<u>\$ 2,219,523</u>

Interest Rate Risk – The County does not have a formal investment policy for the County's operating funds that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The County's Retirement Fund investment policy states that the trustees exercise good judgment in the selection of securities or in the selection of a plan administrator.

Credit Risk – The County has no formal investment policy for its operating funds that addresses credit risk. As of December 31, 2014, the County's operating investments were all maintained in Certificates of Deposit.

The County's Retirement Investment Policy states fixed income securities must be rated as investment grade by Moody's and/or Standard's and Poor's.

INDIANA COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

NOTE 3: DEPOSIT AND INVESTMENT RISK (CONTINUED)

As of December 31, 2014, the County's retirement investments had a credit rating as follows:

<u>Investment Type</u>	<u>Credit Quality Rating</u>	<u>Percentage of Investment Type</u>
Corporate Bonds	AAA	23%
Corporate Bonds	AA	19%
Corporate Bonds	A	37%
Corporate Bonds	BBB	14%
Corporate Bonds	Below BBB	7%

Custodial Credit Risk – For deposits and investments, custodial credit risk is the risk that in the event of the failure of the counterparty, the County will be able to recover the value of its investment or collateral securities that are in the possession of an outside party. As of December 31, 2014, the County's cash balances for its governmental activities, business-type activities and agency fund were \$19,282,259 and its bank balances were \$20,198,984. Of these bank balances, \$19,414,482 was collateralized with securities held by the pledging financial institutions, or by their trust departments or agents, but not in the County's name. The entire cash and cash equivalent balance in the Retirement Fund of \$188,536 was collateralized with securities held by the pledging financial institutions, or by their trust departments or agents, but not in the County's name. None of the County's retirement investments were exposed to custodial credit risk at December 31, 2014 because the custodians hold the securities in an account that designates the County as the owner of the securities.

Concentration of Credit Risk – The County has no formal investment policy for operating investments pertaining to the concentration of credit risk. More than 5 percent of the County's investments are in Government Agencies, the Vanguard High Yield Corporate Fund, the DFA US Small Cap Fund, the IShares Russell 1000 Growth Index Fund, and the Passive Intermediate Aggregate Bond Index. These investments are 52% of the total investments of the County and 52% of the investments of the aggregate remaining fund information.

The County's Retirement Investment Policy states only that the plan administrator exercise good judgment in investing retirement funds.

Component Unit

Indiana County Municipal Services Authority

At December 31, 2014, the carrying amount of the Authority's cash deposits was \$646,146 and the bank balance was \$659,211. Of the bank balance, \$204,224 was not covered by federal depository insurance. The Authority grants credit without collateral to its customers. The Authority's service area is located in portions of Indiana, Armstrong, and Cambria Counties, Pennsylvania. The Authority charges residents within its service area based upon usage and connection charges. The ability of each of the Authority's customers to honor their obligations to the Authority is dependent upon economic and other factors affecting the customers.

INDIANA COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

NOTE 4: PROPERTY TAXES

Real Estate Property Taxes

Real estate property 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 5% penalty from July 1 to December 31. In some instances certain tax collectors have been allowed to extend the discount and face value periods due to unusual office hours of these tax collectors by a few days. The County bills these taxes which are collected by local tax collectors.

The County is permitted by the County Code of the Commonwealth of Pennsylvania to levy real estate taxes up to 30 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. In 2014 the County had total millage of 37.40, of which 7.40 mills were reserved for principal and interest on debt, and 30.00 mills for general County purposes.

The County's 2014 real estate taxes are based on assessed values established by the County's Bureau of Assessments. Assessed values of real property are generally 100% of the market value as determined by the Indiana County Tax Assessment Office. The total 2014 real estate taxes levied was \$21,567,391 based on a total County assessed valuation of \$576,568,595. Based on the 2014 levy of 37.40 mills, a property owner would pay \$37.40 per \$1,000 of assessed valuation.

NOTE 5: LOANS RECEIVABLE

The County has various loans outstanding that are used for multiple purposes within the County. The county has 6 revolving loan programs in which the County loans money to local small businesses or home owners for various reasons- home repairs, working capital for the businesses, new equipment for the businesses, etc. These loans are reported in the Enterprise Zone, Community Program for Restoration, Revolving Loan, Emergency Repair, Community Revitalization Program, and Affordable Housing Funds and had a total balance of \$2,418,776 as of December 31, 2014. All loans are fully deferred at the fund level.

The County also contracts with the Indiana County Development Corporation (ICDC) in which the County obtains loans and immediately loans that money to ICDC with the same terms. The activity on these loans is reported in the General Fund. All loans are fully deferred in the General Fund at the fund level.

In addition to the loans the County has two installment sale agreements with ICDC in which ICDC is buying land and Buildings from the County. These agreements are treated the same as the loans receivable for financial statement purposes. A summary of the long-term General Fund receivables is shown below:

INDIANA COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

NOTE 3: LOANS RECEIVABLE RISK (CONTINUED)

	<u>Balance at 12/31/2013</u>	<u>Payments Received from Others</u>	<u>Amounts Loaned to Others</u>	<u>Discounts</u>	<u>Balance at 12/31/2014</u>
Commerce Center I installment sale	\$ 1,152,608	\$ -	\$ -	\$ 32,464	\$ 1,185,072
Airport Authority Promissary Note (LOC)	600,000	-	-	-	600,000
KCAC Project	473,919	-	-	-	473,919
Indian Springs Road Project Loan	212,347	60,086	-	-	152,261
Corporate Campus Multi- Tenant Building Loan	1,826,820	186,193	-	-	1,640,627
Indian Springs Multi- Tenant Building Loan	<u>6,960,168</u>	<u>220,657</u>	<u>-</u>	<u>-</u>	<u>6,739,511</u>
Total	<u>\$ 11,225,862</u>	<u>\$ 466,936</u>	<u>\$ -</u>	<u>\$ 32,464</u>	<u>\$ 10,791,390</u>

Commerce Center I installment sale

In August 2005, the County entered into an installment sales agreement of \$1,250,000 with ICDC for the sale of 4.64 acres of land and building in the Indiana County Commerce Park, owned and operated by the County. Terms of the agreement provide for payments from ICDC in the amount of excess revenues collected over expenses incurred on the property as defined in the agreement, with the full amount collected by December 31, 2016. As of December 31, 2014, ICDC had generated no revenues from the property and has yet to make any payments to the County. The agreement provided no interest and has been discounted at 6.00% to \$892,896 and a discount of \$357,104.

The total unamortized discount is \$64,928 at December 31, 2014. The discount will be amortized over the term of the agreement. Current year amortization of \$32,464 has been recognized as interest income in the statement of activities with a net balance due from ICDC at December 31, 2014 in the amount of \$1,185,072.

Airport Authority Promissory Note

In 2012 the County entered into an agreement with the airport authority for a \$600,000. The purpose of the loan is for the airport authority to provide a local share to secure a match from the Bureau of Aviation that would allow the airport authority to complete the parallel taxiway to serve the new runway. The agreement provided interest at a rate of 1% annually. At December 31, 2014 the airport authority has not made any payments on the \$600,000 loan.

A description of the loans receivable can be found in the long-term debt summary in Note 10.

INDIANA COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

NOTE 6: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2014 was as follows:

GOVERNMENTAL ACTIVITIES	Beginning Balance	Increases	Decreases	Reclassification	Ending Balance
Capital Assets, Not Being Depreciated:					
Land	\$ 2,016,564	\$ 30,000	\$ -	\$ -	\$ 2,046,564
Construction in Progress	<u>13,511,724</u>	<u>1,162,333</u>	<u>(14,551,874)</u>	<u>-</u>	<u>122,183</u>
Total Capital Assets, Not Being Depreciated	<u>15,528,288</u>	<u>1,192,333</u>	<u>(14,551,874)</u>	<u>-</u>	<u>2,168,747</u>
Capital Assets, Being Depreciated:					
Building and Improvements	64,963,093	746,731	-	(3,134,431)	62,575,393
Equipment and Vehicles	10,424,634	13,935,513	(116,031)	3,051,779	27,295,895
Infrastructure	<u>18,235,428</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,235,428</u>
Total Capital Assets, Being Depreciated	<u>93,623,155</u>	<u>14,682,244</u>	<u>(116,031)</u>	<u>(82,652)</u>	<u>108,106,716</u>
Less Accumulated Depreciation For:					
Buildings and Improvements	(15,100,052)	(1,967,300)	-	82,652	(16,984,700)
Equipment and Vehicles	(6,859,178)	(1,539,887)	111,092	-	(8,287,973)
Infrastructure	<u>(6,014,925)</u>	<u>(104,131)</u>	<u>-</u>	<u>-</u>	<u>(6,119,056)</u>
Total Accumulated Depreciation	<u>(27,974,155)</u>	<u>(3,611,318)</u>	<u>111,092</u>	<u>82,652</u>	<u>(31,391,729)</u>
Total Capital Assets, Being Depreciated, Net	<u>65,649,000</u>	<u>11,070,926</u>	<u>(4,939)</u>	<u>-</u>	<u>76,714,987</u>
Governmental Activities Capital Assets, Net	<u>\$ 81,177,288</u>	<u>\$ 12,263,259</u>	<u>\$ (14,556,813)</u>	<u>\$ -</u>	<u>\$ 78,883,734</u>
BUSINESS-TYPE ACTIVITIES	Beginning Balance	Increases	Decreases		Ending Balance
Capital Assets, Being Depreciated:					
Building and Improvements	\$ 4,308,695	\$ 60,481	\$ -		\$ 4,369,176
Equipment and Vehicles	3,408,241	111,788	-		3,520,029
Capital Interest	<u>165,318</u>	<u>-</u>	<u>-</u>		<u>165,318</u>
Total Capital Assets, Being Depreciated	<u>7,882,254</u>	<u>172,269</u>	<u>-</u>		<u>8,054,523</u>
Less Accumulated Depreciation	(6,247,279)	(278,153)	-		(6,525,432)
Total Capital Assets, Being Depreciated, Net	<u>1,634,975</u>	<u>(105,884)</u>	<u>-</u>		<u>1,529,091</u>
Business-Type Activities Capital Assets, Net	<u>\$ 1,634,975</u>	<u>\$ (105,884)</u>	<u>\$ -</u>		<u>\$ 1,529,091</u>

INDIANA COUNTY
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2014

NOTE 6: CAPITAL ASSETS (CONTINUED)

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

Governmental Activities:

General Government-Administrative	\$ 187,070
General Government-Judicial	131,406
Public Safety	1,966,640
Public Works	1,114,618
Human Services	35,323
Culture and Recreation	175,411
Conservation and Development	<u>850</u>

Total Depreciation Expense-Governmental Activities	<u>\$3,611,318</u>
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Business-Type Activities:

Human Services	<u>\$ 278,153</u>
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Total Depreciation Expense-Business-Type Activities	<u>\$ 278,153</u>
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Component Unit – Capital AssetsHighridge Water Authority

Capital assets and accumulated depreciation as of December 31, 2014 is as follows:

Buildings	\$ 39,941,134
Land and improvements	<u>9,973,498</u>
Total	49,914,632
Less accumulated depreciation	<u>18,067,837</u>
Capital Assets, net	<u>\$ 31,846,795</u>

INDIANA COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

NOTE 6: CAPITAL ASSETS (CONTINUED)

Component Unit – Capital Assets (Continued)Indiana County Municipal Services Authority

Capital assets and accumulated depreciation as of December 31, 2014 is as follows:

Indiana County Municipal Services Authority	
Fixed equipment	\$ 106,716,871
Moveable equipment	940,558
Vehicles	776,715
Construction in progress	<u>12,288,519</u>
 Total	 120,722,663
 Less accumulated depreciation	 <u>34,183,101</u>
 Capital Assets, net	 <u><u>\$ 86,539,562</u></u>

NOTE 7: RESTRICTED ASSETS

Business Type Activities

The County has restricted cash of \$41,331 in the business type activities which is restricted for capital purchases and repairs to existing capital assets.

The County also has restricted of \$28,770 that is owed to residents of the nursing home.

Component Unit – Designated AssetsIndiana County Municipal Services Authority

Restricted Assets at December 31, 2014 are as follows:

Debt Service Fund	\$ 882,566
Debt Service Reserve and Repair Fund	136,364
Construction Fund	<u>288,868</u>
 Total	 <u><u>\$ 1,307,798</u></u>

INDIANA COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

NOTE 8: EMPLOYEE RETIREMENT TRUST FUND

Summary of Significant Accounting Policies

Method used to value investments. Investments are reported at fair value. Securities traded on national or international exchange are valued at the last reported sales price at current exchange rates. Real estate assets are reported at fair value utilizing an income approach to valuation. An independent appraisal should be obtained once every year to determine the fair market value of the real estate assets.

Plan Description

Plan Administration. The Employees' Retirement Trust Fund Plan ("Plan") is a contributory defined benefit single employer retirement plan covering all full-time employees of the County. Part-time employees are not covered by the plan. Part-time employees are employees who are expected to work less than 1,000 hours per year in the 12 months after their hire and in each 12 month period thereafter. The Plan is included in the financial statements of the County as a pension trust fund. The plan provides retirement, disability and death benefits to plan members and their beneficiaries pursuant to Act 96 of 1971 of the Commonwealth of Pennsylvania (County Pension Law). Cost of living adjustments are provided at the discretion of the County Retirement Board.

At December 31, 2014, the date of the latest valuation, employees covered by the Plan consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	173
Inactive plan members entitled to but not yet receiving benefits	36
Active Plan Participants	<u>446</u>
Total	<u>655</u>

Investments. All investments of the pension trust fund are reported as fair value. Investments that do not have an established market value are reported as estimated fair value.

Funding. Employees are required to contribute a portion of their salaries (5% of earnings in 2010) to the Plan and employees can elect to contribute up to 15% of their salaries. Per Act 96 of 1971, as amended, contribution requirements of the Plan members and the County may be amended by the General Assembly of the Commonwealth of Pennsylvania. Interest is credited each year in an amount allowed by the County Retirement Board to each member's account. Administrative costs of the Plan may be financed through investment earnings.

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

INDIANA COUNTY
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2014

NOTE 8: EMPLOYEE RETIREMENT TRUST FUND (CONTINUED)

The annual required contribution was determined based on the actuarial valuation dated January 1, 2015. The aggregate actuarial cost method was used to determine costs. Under this method, the valuation assets of the plan are subtracted from the present value of all projected benefits. The result, when divided by the present value of future compensations, gives a percentage normal cost factor which is applied to the estimated 2014 compensation of all members to arrive at the normal cost at the beginning of the year. However, a schedule of funding progress is required to be presented as supplementary information using the entry age cost method to provide information that serves as a surrogate for the funding progress of the plan.

The following actuarial assumptions were made when preparing the actuarial report:

Investment Rate of Return	7.5% per annum, compounded annually (including inflation at 3%)
Projected Salary increases	3.5% (including inflation at 3%)

The aggregate actuarial cost method is used to determine the annual required contribution of the employer for the Plan. Because the method does not identify or separately amortize unfunded actuarial liabilities, information about the Plan's funded status and funding progress have been prepared using the entry age actuarial cost method for that purpose, and the information presented is intended to serve as a surrogate for the funded status and funding progress of the Plan. As of December 31, 2014, the most recent actuarial valuation date, the Plan was 109.7 percent funded.

The actuarial accrued liability for benefits was \$39,493,942, and the actuarial value of the assets was \$43,322,014, resulting in an unfunded actuarial accrued liability (UAAL) of \$(3,828,072). The actuarial value of the assets as a percentage of the actuarial accrued liability was 109.7%. The covered payroll was \$16,530,669, and the ratio of the UAAL to the covered payroll was 23.2%.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of the plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Annual Pension Cost and Pension Obligation

The County's Annual Required Contribution for 2014 was determined as part of the January 1, 2015 actuarial valuation. The County's annual pension cost and net pension asset to the pension plan for 2014 are shown below:

INDIANA COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

NOTE 8: EMPLOYEE RETIREMENT TRUST FUND (CONTINUED)

Annual Required Contribution	\$ 117,162
Less: Interest on Net Pension Asset	(437,161)
Add: Adjustment to Annual Required Contribution	769,295
Annual Pension Cost	449,296
Contribution Made	-
Change in Net Pension Asset (Obligation)	<u>(449,296)</u>
Net Pension Asset - January 1, 2014	5,828,810
Net Pension Asset - December 31, 2014	<u>\$ 5,379,514</u>

Annual Pension Cost - Three-year Trend Information

<u>Year Ended</u>	<u>Annual Pension Cost</u>	<u>Annual Pension Contributed</u>	<u>Percentage of Annual Pension Cost Contributed</u>	<u>Net Pension Asset</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>
December 31, 2012	\$ 1,061,832	\$ -	0%	\$ 6,814,898	\$ 5,328,940	\$ 1,485,958
December 31, 2013	\$ 986,088	\$ -	0%	\$ 5,828,810	\$ 4,551,015	\$ 1,277,795
December 31, 2014	\$ 449,296	\$ -	0%	\$ 5,379,514	\$ 4,198,767	\$ 1,180,747

Benefits provided. Indiana County Employees Pension Plan provides retirement, disability, and death benefits. Retirement benefits for plan members are calculated as a percent of the member's highest 3-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 5 years of service if disabled while in service and unable to continue as a county employee. Disability retirement benefits are equal to 25% of the highest average salary at time of retirement. Death benefits for a member who dies with 10 years of service prior to retirement is the total present value of member's retirement paid in a lump sum. A plan member who leaves County service with less than 5 years of service may withdraw his or her contributions, plus any accumulated interest.

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

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 2014 measurement period, the active member contribution rate was 5.0 percent of annual pay, and the County average contribution rate was 0.00 percent of annual payroll.

INDIANA COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

NOTE 8: EMPLOYEE RETIREMENT TRUST FUND (CONTINUED)

Investments

Investment policy. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Board by a majority vote of its members. It is the policy of the Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The following was the Board's asset allocation policy for the 2014 measurement period:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity	40%
International equity	10%
Fixed income	42.50%
Real estate/alternative	<u>7.50%</u>
Total	100%

Concentrations. The County has no formal investment policy for operating investments pertaining to the concentration of credit risk. More than 5 percent of the County's investments are in Government Agencies, the Vanguard High Yield Corporate Fund, the DFA US Small Cap Fund, the IShares Russell 1000 Growth Index Fund, and the Passive Intermediate Aggregate Bond index.

Rate of return. For the 2014 measurement period, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 5.99 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability of the County

The components of the net pension liability of the County for the 2014 measurement period were as follows:

Total pension liability	\$ 38,812,538
Plan fiduciary net position	<u>43,322,014</u>
County's net pension liability	\$ (4,509,476)
Plan fiduciary net position as a percentage of the total pension liability	111.62%

Actuarial assumptions. The total pension liability was determined by an actuarial valuation for the 2014 measurement period, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.50 %, 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.

INDIANA COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

NOTE 8: EMPLOYEE RETIREMENT TRUST FUND (CONTINUED)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation for the 2014 measurement period are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	5.40-6.40%
International equity	5.50-6.50%
Fixed income	1.30-3.30%
Real estate/alternative	0.00-1.00%

Discount Rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that County contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the County, calculated using the discount rate of 7.5 percent, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
County's net pension liability	\$ (1,637,369)	\$ (4,509,476)	\$ (8,138,803)

Component Unit – Retirement Plan

Highridge Water Authority

The Authority adopted a retirement plan covering all eligible employees effective January 1, 1995. Terms of the plan require Authority contributions at 50 cents per hour worked on a monthly basis. Participants are 100% vested after 5 years. Contributions for 2014 amounted to \$27,703.

INDIANA COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

NOTE 8: EMPLOYEE RETIREMENT TRUST FUND (CONTINUED)

Indiana County Municipal Services Authority

The Authority has a defined contribution retirement plan which provides retirement benefits for all full-time employees. The Authority contributed an amount equal to 5% of the full-time employees' gross salaries. Employees become 10% vested after two years of employment. An additional 20% is vested for each additional year of employment until they are fully vested after 7 years. Pension expense was approximately \$62,000.

NOTE 9: LINE OF CREDIT

Component Unit – Line of CreditIndiana County Municipal Services Authority

The Authority has available a \$500,000 unsecured line of credit with First Commonwealth Bank, which is due on demand, with interest at 75% of the prime rate (2.75% at December 31, 2014). Borrowings were \$246,384 at December 31, 2014.

NOTE 10: LONG-TERM OBLIGATIONS

A summary of changes in long-term debt obligations for 2014 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<u>Governmental Activities</u>					
Bonds and Notes Payable:					
General Obligation Notes	\$ 59,290,326	\$ 2,278,515	\$ (3,147,267)	\$ 58,421,574	\$ 3,119,111
Total Bonds and Notes Payable	<u>59,290,326</u>	<u>2,278,515</u>	<u>(3,147,267)</u>	<u>58,421,574</u>	<u>3,119,111</u>
Other Liabilities:					
Capital Lease Obligations	94,283	66,341	(78,410)	82,214	43,056
Compensated Absences	710,308	-	(86,137)	624,171	-
Total Other Liabilities	<u>804,591</u>	<u>66,341</u>	<u>(164,547)</u>	<u>706,385</u>	<u>43,056</u>
Governmental Activities Long-Term Liabilities	<u>60,094,917</u>	<u>2,344,856</u>	<u>(3,311,814)</u>	<u>59,127,959</u>	<u>3,162,167</u>
<u>Business-Type Activities</u>					
General Obligation Notes	\$ 1,308,575	\$ -	\$ (421,157)	\$ 887,418	\$ 437,495
Business-Type Activities Long-Term Liabilities	<u>\$ 1,308,575</u>	<u>\$ -</u>	<u>\$ (421,157)</u>	<u>\$ 887,418</u>	<u>\$ 437,495</u>

An analysis of debt service requirements to maturity for the governmental and business-type activities on these obligations follows (with the exception of capital leases and compensated absences liability):

INDIANA COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

NOTE 10: LONG-TERM OBLIGATIONS (CONTINUED)

Governmental Activities

Year Ended December 31	<u>Principal Requirements</u>	<u>Interest Requirements</u>	<u>Total Debt Service Requirements</u>
2015	\$ 3,119,111	\$ 1,745,981	\$ 4,865,092
2016	3,453,358	1,765,713	5,219,071
2017	4,032,311	1,639,982	5,672,293
2018	3,949,090	1,507,502	5,456,592
2019	4,070,033	1,374,756	5,444,789
2020-2024	20,890,814	4,737,147	25,627,961
2025-2029	16,526,618	1,564,327	18,090,945
2030-2033	<u>2,380,239</u>	<u>169,091</u>	<u>2,549,330</u>
Total	<u>\$ 58,421,574</u>	<u>\$ 14,504,499</u>	<u>\$ 72,926,073</u>

Business-Type Activities

Year Ended December 31	<u>Principal Requirements</u>	<u>Interest Requirements</u>	<u>Total Debt Service Requirements</u>
2015	\$ 437,495	\$ 23,569	\$ 461,064
2016	<u>449,923</u>	<u>9,201</u>	<u>459,124</u>
Total	<u>\$ 887,418</u>	<u>\$ 32,770</u>	<u>\$ 920,188</u>

INDIANA COUNTY
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2014

NOTE 10: LONG-TERM OBLIGATIONS (CONTINUED)

Pertinent information regarding long-term debt obligations outstanding is presented below:

Governmental Activities

Issuance	Amount of Original Issue	Purpose	Balance Outstanding December 31, 2014
2002	\$ 1,250,000	Finance the Indian Springs Road Rehabilitation Project. The note has an interest rate of 4.875% per annum with a final maturity in May 2018. This note was loaned to ICDC under the same terms.	\$ 152,261
Series C of 2005	\$ 4,250,000	To finance the construction of a multi-tenant building at the Indiana County Corporate Campus. The note has an interest rate of 3.97%.	\$ 1,640,628
2006	\$ 8,000,000	To finance the construction of a multi-tenant building on Indian Springs Road. The note has an interest rate of 4.76% per annum and a final maturity of July 2033. As of December 31, 2007 only \$7,667,248 had been drawn against the note. The County has a note agreement with ICDC with the same amount and terms as this note.	\$ 6,739,511
Series B of 2012	\$ 9,125,000	To refinance General Obligation Note (GON), Series A of 2011, related to the construction of the new jail. The note has an interest rate of 2.54% with a final maturity in December 2028.	\$ 8,172,681
Series C of 2012	\$ 9,125,000	To refinance GON, Series B of 2011, related to the construction of the new jail. The note has an interest rate of 2.54% with a final maturity in 2028.	\$ 8,172,681
Series D of 2012	\$ 3,550,000	To refinance GON, Series C of 2011, related to the construction of the new jail and other projects within the County. The note has an interest rate of 2.54% with a final maturity in December 2028.	\$ 3,179,509

INDIANA COUNTY
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2014

NOTE 10: LONG-TERM OBLIGATIONS (CONTINUED)

Governmental Activities (Continued)

Taxable Series F of 2012	\$ 3,800,000	To refinance GON, Series D of 2011, related to the funding of the pension plan. The note has an interest rate of 4.625% with a final maturity in December 2027.	\$ 3,430,576
Taxable Series G of 2012	\$ 6,150,000	To fund the County's Unfunded Actuarial Accrued Liability in the Pension Plan. The note has an interest rate of 4.2% with a final maturity in December 2021.	\$ 4,965,058
Series A of 2012	\$ 9,100,000	To refinance a portion of the Series C of 2010, related to capital projects. The note has an interest rate of 2.54% with a final maturity in December 2030.	\$ 8,279,296
Series E of 2012	\$ 138,356	For expenses related to construction and upgrades to the County's 911 system and various other capital projects within the County. The note has an interest rate of 2.54% with a final maturity in December 2028.	\$ 4,776,498
Prothonotary Commercial Loan	\$ 40,000	For expenses related to software upgrades in the Prothonotary's Office	\$ 6,060
Series A of 2013	\$ 3,500,000	To refinance GON, Series B of 2010. The note has an interest rate of 3.31% with a final maturity in December 2025.	\$ 3,441,641
Series B of 2013	\$ 5,500,000	To refinance GON, Series C of 2010. The note has an interest rate of 3.64% with a final maturity in October 2026.	\$ 5,465,174
			<u>\$ 58,421,574</u>

INDIANA COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

NOTE 10: LONG-TERM OBLIGATIONS (CONTINUED)

Business-Type Activities

Issuance	Amount of Original Issue	Purpose	Balance Outstanding December 31, 2014
Series B of 2010	\$ 2,511,831	To extinguish the General Obligation Note of 2005. The note has an interest rate of 3.20% with a final maturity in December 2016. The Communities at Indian Haven owed this amount on the debt as of December 31, 2013.	\$ <u>887,418</u>

Capital Leases

The County has entered into capital leases for equipment to be used in operations. Amortization expense has been included with depreciation. Future minimum lease payments at December 31, 2014 and present value of capital lease obligations were:

Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
\$ 94,283	\$ 66,341	\$ (78,410)	\$ 82,214	\$ 43,056

<u>Year ended December 31</u>	<u>Governmental Activities</u>
2015	\$ 45,733
2016	22,254
2017	<u>18,983</u>
Total Minimum Lease Payments	86,970
Less Amount Representing Interest	4,756
Present Value of Net Minimum Lease Payments	82,214
Less: Amount Due Within One Year	<u>43,056</u>
Non-Current Portion	<u>\$ 39,158</u>

The County did not issue a Tax anticipation note during 2014.

Component Units

In addition to the long term debt above, the County also guarantees debt for the Indiana County Municipal Services Authority and the Highridge Water Authority. The schedule on the next page summarizes the activity on this debt for 2014.

INDIANA COUNTY
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2014

NOTE 10: LONG-TERM OBLIGATIONS (CONTINUED)

Highridge Water Authority

	Balance as of December 31, 2013	Additions	Reductions	Balance as of December 31, 2014
Debt Guaranteed by Indiana County:				
Water Revenue Bonds, Series of 2008	\$ 5,230,000	\$ -	\$ (305,000)	\$ 4,925,000
PennVest Loan	2,785,899	-	(246,710)	2,539,189
Other Long-Term Debt:				
PennVest Loan	4,364,345	-	(227,683)	4,136,662
PennVest Loan	379,108	-	(32,879)	346,229
PennVest Loan	451,449	-	(83,793)	367,656
PennVest Loan	539,907	-	(53,423)	486,484
PennVest Loan	1,972,651	-	(89,962)	1,882,689
PennVest New Florence Acquisition	-	49,761	-	49,761
Total Long-Term Debt	<u>\$ 15,723,359</u>	<u>\$ 49,761</u>	<u>\$ (1,039,450)</u>	<u>\$ 14,733,670</u>

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

<u>Year Ended December 31</u>	<u>Principal Payments</u>
2015	\$ 1,086,571
2016	1,031,728
2017	1,044,733
2018	1,061,063
2019	1,080,506
Thereafter	<u>9,429,069</u>
Total	<u>\$ 14,733,670</u>

INDIANA COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

NOTE 10: LONG-TERM OBLIGATIONS (CONTINUED)

Indiana County Municipal Services Authority

	<u>Balance as of December 31, 2014</u>
Debt Guaranteed by Indiana County:	
Iselin Sewage Project	\$ 113,251
Sewage Renovation I	4,833,478
Sewage Renovation III	1,758,236
Sewage Renovation IV - Cherry Tree	756,237
Sewage Renovation VI	1,070,506
Crooked Creek Water Project	10,118,270
Cherry Tree Water System Project	644,653
Other Long-Term Debt:	
WR XV Interim Financing	155,357
WR XVI Interim Financing	114,953
Water Bond Refinance I & II	1,353,250
Water Bond VII	54,952
Water Bond VIII	71,030
Heilwood Water Bond	187,192
PennVest Water Bond XV	948,623
PennVest Water Bond XVI	2,118,424
West Lebanon Reservoir Bond	57,472
Water Bond XIV Interim Financing	-
Water Bond XI	2,849,729
Water Bond XII	6,705,999
Water Bond XIII	3,948,964
Parkwood Interim Financing	-
Water Bond XIII Interim Financing	-
Pine Grove Sewer Bonds	9,755,000
Sewage Renovation III Refinance	611,034
Sewage Renovation V	435,005
Sewage Renovation X	2,594,014
Sewage Renovation IX - Alverda	<u>1,198,311</u>
Total	<u>\$ 52,453,940</u>

INDIANA COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

NOTE 10: LONG-TERM OBLIGATIONS (CONTINUED)

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

Year Ended December 31	Principal Payments
2015	\$ 3,059,086
2016	2,130,580
2017	1,828,029
2018	1,858,296
2019	1,866,874
Thereafter	41,452,027
	52,194,892
Interim Construction Loans to be refinanced upon closing of project (All Long-Term)	259,048
Total	\$ 52,453,940

NOTE 11: GUARANTEES OF COMPONENT UNITS

The County has agreed to guarantee the Municipal Services Authority's indebtedness. The Municipal Services Authority is required to repay the County for any payments the County makes pursuant to the guarantee. The County has not made any payments on behalf of the Municipal Services Authority as of December 31, 2014. A summary of all guaranteed debt is listed below.

In 2005, the County guaranteed the Municipal Services Authority \$989,074 PennVest Cherry Tree Installment Note. This note matures in February 2037. As of December 31, 2014 the outstanding principal amount of the guaranteed is \$756,237.

In 2005, the County guaranteed the Municipal Services Authority \$13,299,915 Crooked Creek Installment Note. This note matures in December 2036. As of December 31, 2014 the outstanding principal amount of the guaranteed is \$10,118,270.

In 1999, the County guaranteed the Municipal Services Authority \$6,258,000 Sewer Revenue Notes, Series 1999. These notes mature in April 2041. As of December 31, 2014 the outstanding principal amount of the guaranteed is \$4,833,478.

In 1999, the County guaranteed the Municipal Services Authority \$425,000 PennVest Iselin Installment Note. This note matures in April 2019. As of December 31, 2014 the outstanding principal amount of the guaranteed is \$113,251.

In 2001, the County guaranteed the Municipal Services Authority \$2,770,000 Sewage Renovation III Installment Note. This note matures in December 2032. As of December 31, 2014 the outstanding principal amount of the guaranteed is \$1,758,236.

In 2005, the County guaranteed the Municipal Services Authority \$1,757,800 Sewage Renovation VI Installment Note. This note matures in February January 2037. As of December 31, 2014 the outstanding principal amount of the guaranteed is \$1,070,506.

In 2003, the County guaranteed the Municipal Services Authority \$1,173,199 Sewage Renovation IV Installment Note. This note matures in June 2025. As of December 31, 2014 the outstanding principal amount of the guaranteed is \$644,653.

INDIANA COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

NOTE 11: GUARANTEES OF COMPONENT UNITS (CONTINUED)

The County has agreed to guarantee Highridge Water Authority's indebtedness. Highridge Water Authority is required to repay the County for any payments the County makes pursuant to the guarantee. The County has not made any payments on behalf of Highridge Water Authority as of December 31, 2014. A summary of all guaranteed debt is listed below.

In 2012, the County guaranteed Highridge Water Authority \$5,235,000 Water Revenue Bonds Series 2012. This note matures in February 2025. As of December 31, 2014 the outstanding principal amount of the guaranteed is \$4,925,000.

In 1994, the County guaranteed Highridge Water Authority \$6,715,890 PennVest Installment Note. This note matures in September 2024. As of December 31, 2014 the outstanding principal amount of the guaranteed is \$2,539,189.

NOTE 12: INTERFUND RECEIVABLES AND PAYABLES

Certain funds have paid the expenditures of the other funds and the amounts have not been repaid at year end, resulting in interfund balances. Interfund receivable and payable balances of each major fund as of December 31, 2014, are as follows:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
<u>Governmental Fund Types</u>		
General Fund	\$ 2,522,532	\$ 5,580
Community Program for Restoration	498	-
Revolving Loan Fund	-	-
Other Governmental Fund Type	<u>33,077</u>	<u>2,119,584</u>
Total Governmental Fund Types	<u>2,556,107</u>	<u>2,125,164</u>
<u>Proprietary Fund</u>		
Communities at Indian Haven	<u>-</u>	<u>430,943</u>
Total Proprietary Fund Type	<u>-</u>	<u>430,943</u>
Total Interfund Balances	<u>\$ 2,556,107</u>	<u>\$ 2,556,107</u>

The outstanding balances between the funds result mainly from the time lag between the dates that (1) interfund goods and services are provided, (2) reimbursable expenditures occur, and (3) payments between funds are made.

INDIANA COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

NOTE 13: INTERFUND OPERATING TRANSFERS

Interfund operating transfers are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Governmental Fund Types</u>		
General Fund	\$ 284,208	\$ 56,541
Community Program for Restoration	117	-
Other Governmental Funds	<u>76,342</u>	<u>22,817</u>
Total Governmental Fund Type	<u>360,667</u>	<u>79,358</u>
<u>Proprietary Fund</u>		
Communities at Indian Haven	<u>2,899</u>	<u>284,208</u>
Total Proprietary Fund Type	<u>2,899</u>	<u>284,208</u>
 Total Interfund Transfers	 <u>\$ 363,566</u>	 <u>\$ 363,566</u>

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

NOTE 14: NET PATIENT SERVICE REVENUE

The Communities at Indian Haven, Inc.

Indian Haven has agreements with third-party payors that provide for payments to Indian Haven at amounts different from its established rates. A significant portion of Indian Haven's revenues are derived from third-party payor programs. A summary of the principal payment arrangements with third-party payors follows:

- Medical Assistance – Nursing services provided to Medical Assistance program beneficiaries are paid at prospectively determined rates per day. 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.
- 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.

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

As described above, the Medical Assistance and Medicare Part A rates are based on clinical, diagnostic, and other factors. Indian Haven is required to clinically assess its residents at predetermined periods throughout the year. The documented assessments are subject to review and adjustment by the Medical Assistance and Medicare Programs. Indian Haven also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to Indian Haven under these agreements includes prospectively determined rates per day or discounts from established charges.

INDIANA COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

NOTE 15: FUND BALANCES

Under GASB 54, fund balances are recorded as non-spendable, restricted, committed, assigned, and unassigned. The following fund balances are recorded on the fund level of the financial statements:

Fund:	Fund Balance:	Balances
Major Funds		
General Fund	<u>Non-Spendable:</u>	
	These amounts were charged to inventories	\$ 6,680
	These amounts are prepaid expenses	297,480
		<u>304,160</u>
	<u>Restricted Funds:</u>	
	These funds are restricted for Coroner Act 122	341
	These funds are restricted for Sheriff PFA Act 66	1,475
	These funds are restricted for Victim Services	22,065
	These funds are restricted for Act 13 Shale Impact	564,932
	These funds are restricted for Act 13 Highway Bridge	389,073
	These funds are restricted for Act 13 Greenways Rehab	131,553
	These funds are restricted for Points of Light	550
		<u>1,109,989</u>
	<u>Assigned Funds:</u>	
	These funds are assigned for Assess Appeals	53,460
	These funds are assigned for CYS Playground	62
	These funds are assigned for Penn St. Ext. Truck Repairs	8,972
	These funds are assigned for Suicide Task Force	8,704
	These funds are assigned for Indian Haven Excess Transfer	450,000
	These funds are assigned for XTO Gas Lease	106,600
	These funds are assigned for JNET	4,601
	These funds are assigned for CYS Special Account	8,390
	These funds are assigned for Employee Vending	1,218
	These funds are assigned for Jail Sewage Upgrade	260,401
	These funds are assigned for Future Capital Projects	2,500,000
	These funds are assigned for Future Debt Services	500,000
	These funds are assigned for 911 Upgrade	7,580
	These funds are assigned for Reassessment Project	1,383,084
		<u>5,293,072</u>
Community Program for Restoration	<u>Restricted Funds:</u>	
	These funds are restricted for the Community Program Restoration.	234,267
Revolving Loan	<u>Restricted Funds:</u>	
	These funds are restricted for the Revolving Loan Program.	1,245,970
Non-Major Governmental Funds		
Special Revenue Funds	<u>Non-Spendable:</u>	
	These amounts are prepaid expenses.	19,160
	<u>Restricted Funds:</u>	
	These funds are restricted within the departments of the General Government.	286,617
	These funds are restricted within the Judicial System.	902,751
	These funds are restricted within the Public Safety programs.	643,662
	These funds are restricted within the Human Service programs.	29,339
	These funds are restricted within the Public Works programs.	1,172,551
	These funds are restricted within the Culture and Recreation programs.	76,728
	These funds are restricted within the Conservation and Development programs.	1,880,153
		<u>4,991,801</u>

INDIANA COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

NOTE 16: LITIGATION

The County is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the County's financial statements.

NOTE 17: RISK MANAGEMENT

The County participates in the Pennsylvania Counties' Workers' Compensation Trust (the "Trust") insurance pool for workers' compensation insurance. Insurance premiums are developed based on employee job descriptions, rate factors, and payroll costs for the year. The Trust has an audit performed each year and the County may be required to pay an additional premium as a result of the audit, or, the County may be entitled to a refund as a result of the audit. For the year ended December 31, 2014, the County paid insurance premiums of \$356,561 to the Trust.

NOTE 18: SUBSEQUENT EVENTS

During 2015, the County refinanced Series B of 2012 and Series D of 2012 to shorten the period of amortization. There will also be a reduction in the interest rates from 4.6% to 2.5% and 2.5% to 1.

**REQUIRED
SUPPLEMENTAL
INFORMATION**

COUNTY OF INDIANA, PENNSYLVANIA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues				
Taxes, Real estate	\$ 21,335,114	\$ 21,335,114	\$ 21,824,701	\$ 489,587
Intergovernmental grants	6,260,341	6,291,839	6,880,874	589,035
Charges for services	501,295	504,547	624,946	120,399
Departmental charges	3,378,806	3,268,687	3,445,422	176,735
Interest income	25,362	25,362	47,885	22,523
Other revenue	20	20	129,014	128,994
Total Revenues	<u>31,500,938</u>	<u>31,425,569</u>	<u>32,952,842</u>	<u>1,527,273</u>
Expenditures				
Current operating:				
General government	5,517,825	6,456,675	5,690,551	766,124
Judicial	5,515,482	5,582,627	5,246,422	336,205
Public safety	10,127,502	11,160,704	10,197,061	963,643
Public works	279,606	279,606	297,576	(17,970)
Human services	6,482,440	6,491,689	5,965,190	526,499
Culture and recreation	604,185	622,121	610,803	11,318
Conservation and development	254,579	258,454	242,005	16,449
Miscellaneous	(828,355)	(828,355)	-	(828,355)
Debt service	4,275,379	4,275,379	4,492,672	(217,293)
Total Expenditures	<u>32,228,643</u>	<u>34,298,900</u>	<u>32,742,280</u>	<u>1,556,620</u>
Excess (deficiency) of revenues over expenditures	<u>(727,705)</u>	<u>(2,873,331)</u>	<u>210,562</u>	<u>3,083,893</u>
Other financing sources (uses)				
Proceeds from long term debt	-	1,979,765	2,081,119	101,354
Proceeds from capital lease	-	33,861	33,861	-
Amounts received from loans	-	-	466,936	466,936
Disposal of fixed assets	-	-	14,159	14,159
Transfers in	-	132,000	284,208	152,208
Transfers out	(48,000)	(48,000)	(56,541)	(8,541)
Total other financing sources (uses)	<u>(48,000)</u>	<u>2,097,626</u>	<u>2,823,742</u>	<u>726,116</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses				
	<u>\$ (775,705)</u>	<u>\$ (775,705)</u>	<u>\$ 3,034,304</u>	<u>\$ 3,810,009</u>

COUNTY OF INDIANA
 REQUIRED SUPPLEMENTAL INFORMATION
 SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

	<u>2014</u>
Total pension liability	
Service Cost	\$ 597,759
Interest	2,740,758
Differences between expected and actual experience	266,746
Changes of assumptions	-
Benefits payments, including refunds of member contributions	(1,450,606)
Net change in total pension liability	<u>2,154,657</u>
Total pension liability - beginning	36,657,881
total pension liability - ending (a)	<u><u>\$ 38,812,538</u></u>
Plan fiduciary net position	
Contributions - employer	\$ -
Contributions - employee	884,856
Net investment income	2,371,131
Benefit payments, including refunds of employee contributions	(1,450,606)
Administrative expense	(27,412)
Net change in plan fiduciary position	<u>1,777,969</u>
Plan fiduciary net position - beginning	<u>41,544,045</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 43,322,014</u></u>
City's net pension liability - ending (a) - (b)	<u><u>\$ (4,509,476)</u></u>
Plan fiduciary net position as a percentage of the total pension liability	111.62%
Covered - employee payroll	\$ 15,621,894
County net pension liability as a percentage of covered - employee payroll	-28.90%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, pension plans should present information for those years for which information is available.

COUNTY OF INDIANA
 REQUIRED SUPPLEMENTAL INFORMATION
 SCHEDULE OF EMPLOYER CONTRIBUTIONS - LAST 10 YEARS

	2014	
Actuarially determined contribution	\$	117,162
Contributions in relation to the actuarially determined contribution		-
Contribution deficiency (excess)	\$	117,162
Covered - employee payroll		15,621,894
Contributions as a percentage of covered - employee payroll		0.00%

Notes to Schedule

January 1, 2014

Valuation date:

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level dollar
Remaining amortization period	15 years
Asset valuation method	Fair-Market value
Inflation	3.00%
Salary increases	3.50 average, including inflation
Investment rate of return	7.50 % net of pension plan investment expense, including inflation
Retirement age	Age 60 or 55 with 20 years' service
Mortality	2013 RP Annuitant and Non-Annuitant Mortality Tables for males and females with no projected improvement

COUNTY OF INDIANA
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULES OF INVESTMENT RETURNS

	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	5.99%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, pension plans should present information for those years for which information is available.

COUNTY OF INDIANA
SCHEDULE OF EMPLOYER CONTRIBUTIONS AND FUNDING PROGRESS
YEAR ENDED DECEMBER 31, 2014

Schedule of Employer Contributions

Year Ended December 31	Annual Required Contribution	Percentage Contributed
2008	\$ 204,056	100%
2009	1,572,061	64%
2010	1,426,385	100%
2011	1,140,869	572%
2012	666,624	0%
2013	595,935	0%
2014	117,162	0%

The information presented in the required supplementary schedule was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation is as follows:

Valuation Date	January 1, 2015
Actuarial cost method	Aggregate*
Amortization method	Not applicable*
Remaining amortization period	Not applicable*
Asset valuation method	Market Value
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases	3.50%
Includes inflation at:	3.00%
Cost-of-living adjustments	None

* The aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities. Information about the funded status and funding progress was prepared using the entry age actuarial cost method for that purpose and is intended to serve as a surrogate for the funded status and funding progress of the plan.

Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2013	35,932,811	35,031,078	(901,733)	102.57%	15,837,801	-5.69%
1/1/2014	41,544,045	36,906,016	(4,638,029)	112.57%	15,621,894	-29.69%
1/1/2015	43,322,014	39,493,942	(3,828,072)	109.70%	16,530,669	-23.20%

** The actuarial cost method for the plan is the aggregate cost method, however, the above information is presented using the entry age actuarial cost method to provide information that serves as a surrogate for the funding progress of the plan.

**OTHER
SUPPLEMENTAL
INFORMATION**

COUNTY OF INDIANA, PENNSYLVANIA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2014

Assets	Capital Improvements Fund	Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
Cash and cash equivalents	\$ 34,244	\$ 5,396,701	\$ 5,430,945
Investments	118,605	563,441	682,046
Receivables:			
Other governmental grants	-	1,692,601	1,692,601
Other	-	70,992	70,992
Loans	-	366,550	366,550
Due from other funds	4,802	28,275	33,077
Prepaid expenses	-	19,160	19,160
Total assets	<u>\$ 157,651</u>	<u>\$ 8,137,720</u>	<u>\$ 8,295,371</u>
Liabilities			
Accounts Payable	\$ 3,205	\$ 848,112	\$ 851,317
Deferred Loans receivable	-	60,575	60,575
Due to other funds	-	2,119,584	2,119,584
Unearned Loans receivable	-	366,550	366,550
Total liabilities	<u>3,205</u>	<u>3,394,821</u>	<u>3,398,026</u>
Fund Balance			
Fund balance:			
Nonspendable	-	19,160	19,160
Restricted	154,446	4,837,355	4,991,801
Unassigned	-	(113,616)	(113,616)
Total fund balance	<u>154,446</u>	<u>4,742,899</u>	<u>4,897,345</u>
Total liabilities and fund balance	<u>\$ 157,651</u>	<u>\$ 8,137,720</u>	<u>\$ 8,295,371</u>

COUNTY OF INDIANA, PENNSYLVANIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2014

	Capital Improvements Fund	Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
Revenues			
Taxes, Hotel	\$ -	\$ 389,289	\$ 389,289
Intergovernmental revenue	-	5,740,744	5,740,744
Charges for services	-	948,232	948,232
Interest income	422	5,969	6,391
Other revenue	-	145,034	145,034
Total Revenues	<u>422</u>	<u>7,229,268</u>	<u>7,229,690</u>
Expenditures			
Current operating:			
General government	69,807	253,613	323,420
Judicial	-	1,041,938	1,041,938
Public safety	-	1,151,268	1,151,268
Public works	-	1,374,179	1,374,179
Human services	-	1,770,983	1,770,983
Culture and recreation	-	508,448	508,448
Conservation and development	-	2,023,043	2,023,043
Debt service			
Principal	-	8,204	8,204
Interest	-	205	205
Capital outlay	-	14,034	14,034
Total Expenditures	<u>69,807</u>	<u>8,145,915</u>	<u>8,215,722</u>
Excess (deficiency) of revenues over expenditures	<u>(69,385)</u>	<u>(916,647)</u>	<u>(986,032)</u>
Other financing sources (uses)			
Amounts loaned to others	-	(150,000)	(150,000)
Amounts received from loans	-	2,536	2,536
Proceeds from capital lease	-	32,480	32,480
Disposal of fixed assets	-	285	285
Transfers in	23,642	52,700	76,342
Transfers out	-	(22,817)	(22,817)
Total other financing sources (uses)	<u>23,642</u>	<u>(84,816)</u>	<u>(61,174)</u>
Net change in fund balance	(45,743)	(1,001,463)	(1,047,206)
Fund balance, beginning of year	<u>200,189</u>	<u>5,744,362</u>	<u>5,944,551</u>
Fund balance, end of year	<u>\$ 154,446</u>	<u>\$ 4,742,899</u>	<u>\$ 4,897,345</u>

COUNTY OF INDIANA, PENNSYLVANIA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2014

	Human Services Development	MATP	Airport Construction	Case Management	Welfare to Work	Child Care Information Service	Early Care and Education	Children's Advisory Commission
<u>Assets</u>								
Cash and cash equivalents	\$ 23,656	\$ 171,078	\$ 88,037	\$ -	\$ -	\$ -	\$ -	\$ 3,417
Investments	-	-	-	-	-	-	-	-
Receivables:								
Other governmental grants	-	971	843,651	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Loans	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-
Prepaid expenses	-	1,118	-	-	-	-	-	-
Total assets	\$ 23,656	\$ 173,167	\$ 931,688	\$ -	\$ -	\$ -	\$ -	\$ 3,417
<u>Liabilities</u>								
Accounts Payable	\$ 1,775	\$ 83,714	\$ 20,387	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other governments	-	60,575	-	-	-	-	-	-
Due to other funds	14,765	32,382	1,023,112	-	-	-	-	-
Unearned loans receivable	-	-	-	-	-	-	-	-
Total liabilities	16,540	176,671	1,043,499	-	-	-	-	-
<u>Fund Balance (Deficit)</u>								
Fund balance (deficit):								
Nonspendable	-	1,118	-	-	-	-	-	-
Restricted	7,116	-	-	-	-	-	-	3,417
Unassigned	-	(4,622)	(111,811)	-	-	-	-	-
Total fund balance (deficit)	7,116	(3,504)	(111,811)	-	-	-	-	3,417
Total liabilities and fund balance	\$ 23,656	\$ 173,167	\$ 931,688	\$ -	\$ -	\$ -	\$ -	\$ 3,417

COUNTY OF INDIANA, PENNSYLVANIA
 COMBINING BALANCE SHEET (CONTINUED)
 NONMAJOR SPECIAL REVENUE FUNDS
 DECEMBER 31, 2014

	Working Wardrobe	Enhanced 911	Hazardous Materials	911 Wireless	Keystone Comm. Program	Jail Commissary	Register of Wills Ck of Orphan Ct	County Record's Improvement
Assets								
Cash and cash equivalents	\$ 2,640	\$ 139,912	\$ 10,261	\$ 435,239	\$ -	\$ 114,083	\$ 4,020	\$ 63,005
Investments	-	-	-	-	-	-	-	-
Receivables:								
Other governmental grants	7,068	9,018	4,185	-	23,662	-	-	-
Other	-	34,174	-	-	-	4,959	-	1,652
Loans	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	778	-	-
Prepaid expenses	-	-	12,442	-	-	602	-	3,710
Total assets	\$ 9,708	\$ 183,104	\$ 26,888	\$ 435,239	\$ 23,662	\$ 120,422	\$ 4,020	\$ 68,367
Liabilities								
Accounts Payable	\$ -	\$ -	\$ 10,290	\$ -	\$ -	\$ 2,157	\$ -	\$ -
Due to other funds	7,068	173,941	-	86,122	23,662	-	-	-
Unearned loans receivable	-	-	-	-	-	-	-	-
Total liabilities	7,068	173,941	10,290	86,122	23,662	2,157	-	-
Fund Balance (Deficit)								
Fund balance (deficit):								
Nonspendable	-	-	12,442	-	-	602	-	3,710
Restricted	2,640	9,163	4,156	349,117	-	117,663	-	64,657
Unassigned	-	-	-	-	-	-	4,020	-
Total fund balance (deficit)	2,640	9,163	16,598	349,117	-	118,265	4,020	68,367
Total liabilities and fund balance	\$ 9,708	\$ 183,104	\$ 26,888	\$ 435,239	\$ 23,662	\$ 120,422	\$ 4,020	\$ 68,367

COUNTY OF INDIANA, PENNSYLVANIA
 COMBINING BALANCE SHEET (CONTINUED)
 NONMAJOR SPECIAL REVENUE FUNDS
 DECEMBER 31, 2014

	Register and Recorder Records Improvement	Assessment Uniform Parcel ID	Recorder's Uniform Parcel ID	Domestic Relations	Drug Task Force	DA Special Investigations	DA Grants	Sheriff Public Safety Training
<u>Assets</u>								
Cash and cash equivalents	\$ 61,578	\$ 26,670	\$ 7,937	\$ 1,242,413	\$ 3,034	\$ 25,686	\$ -	\$ 8,196
Investments	-	-	-	-	-	-	-	-
Receivables:								
Other governmental grants	-	-	-	332,522	-	-	-	-
Other	-	783	783	-	-	-	-	-
Loans	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	-	-	-
Total assets	\$ 61,578	\$ 27,453	\$ 8,720	\$ 1,574,935	\$ 3,034	\$ 25,686	\$ -	\$ 8,196
<u>Liabilities</u>								
Accounts Payable	\$ -	\$ -	\$ -	\$ 1,350	\$ 2,895	\$ -	\$ -	\$ -
Due to other funds	-	-	-	725,968	1,440	-	-	-
Unearned loans receivable	-	-	-	-	-	-	-	-
Total liabilities	-	-	-	727,318	4,335	-	-	-
<u>Fund Balance (Deficit)</u>								
Fund balance (deficit):								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	61,578	27,453	8,720	847,617	-	25,686	-	8,196
Unassigned	-	-	-	-	(1,301)	-	-	-
Total fund balance (deficit)	61,578	27,453	8,720	847,617	(1,301)	25,686	-	8,196
Total liabilities and fund balance	\$ 61,578	\$ 27,453	\$ 8,720	\$ 1,574,935	\$ 3,034	\$ 25,686	\$ -	\$ 8,196

COUNTY OF INDIANA, PENNSYLVANIA
 COMBINING BALANCE SHEET (CONTINUED)
 NONMAJOR SPECIAL REVENUE FUNDS
 DECEMBER 31, 2014

	Prothonotary Automation	Adoption Counseling	Hotel Tax	Parks Gas Lease	Festival of Lights	Parks Enterprise	Farmlands Preservation	Community Development Block Grant
<u>Assets</u>								
Cash and cash equivalents	\$ 9,081	\$ 10,741	\$ 30,125	\$ 5,061	\$ 44,492	\$ 22,771	\$ 14,216	\$ 1,247
Investments	-	-	-	-	-	-	-	-
Receivables:								
Other governmental grants	-	-	-	-	-	-	-	5,000
Other	1,430	-	23,181	-	-	-	-	-
Loans	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	3,835
Prepaid expenses	-	-	-	-	-	-	-	-
Total assets	\$ 10,511	\$ 10,741	\$ 53,306	\$ 5,061	\$ 44,492	\$ 22,771	\$ 14,216	\$ 10,082
<u>Liabilities</u>								
Accounts Payable	\$ -	\$ -	\$ 52,144	\$ -	\$ 8,454	\$ 108	\$ 1,250	5,270
Due to other funds	-	-	1,064	-	-	-	-	1,227
Unearned loans receivable	-	-	-	-	-	-	-	-
Total liabilities	-	-	53,208	-	8,454	108	1,250	6,497
<u>Fund Balance (Deficit)</u>								
Fund balance (deficit):								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	10,511	10,741	-	5,061	36,038	22,663	12,966	3,585
Unassigned	-	-	98	-	-	-	-	-
Total fund balance (deficit)	10,511	10,741	98	5,061	36,038	22,663	12,966	3,585
Total liabilities and fund balance	\$ 10,511	\$ 10,741	\$ 53,306	\$ 5,061	\$ 44,492	\$ 22,771	\$ 14,216	\$ 10,082

COUNTY OF INDIANA, PENNSYLVANIA
 COMBINING BALANCE SHEET (CONTINUED)
 NONMAJOR SPECIAL REVENUE FUNDS
 DECEMBER 31, 2014

	HOME Investment	Escrow Fund	Affordable Housing and Act 137	Emergency Repair	Emergency Shelter Grant	Community Development Fund	Community Revitalization Program	General Economic Development
<u>Assets</u>								
Cash and cash equivalents	\$ 4,617	\$ 1,750	\$ 128,892	\$ 12,633	\$ 14	\$ 396,089	\$ 5,099	\$ 3,034
Investments	-	-	101,738	-	-	-	-	-
Receivables:								
Other governmental grants	95,089	-	24,796	-	-	-	-	282,852
Other	-	-	4,030	-	-	-	-	-
Loans	-	-	100,785	78,474	-	-	150,000	-
Due from other funds	-	-	23,662	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	-	-	-
Total assets	\$ 99,706	\$ 1,750	\$ 383,903	\$ 91,107	\$ 14	\$ 396,089	\$ 155,099	\$ 285,886
<u>Liabilities</u>								
Accounts Payable	\$ 80,416	\$ 700	\$ 9,766	\$ 181	\$ 2	\$ -	\$ -	\$ 282,952
Due to other funds	17,000	-	5,079	498	12	-	-	-
Unearned loans receivable	-	-	100,785	78,474	-	-	150,000	-
Total liabilities	97,416	700	115,630	79,153	14	-	150,000	282,952
<u>Fund Balance (Deficit)</u>								
Fund balance (deficit):								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	2,290	1,050	268,273	11,954	-	396,089	5,099	2,934
Unassigned	-	-	-	-	-	-	-	-
Total fund balance (deficit)	2,290	1,050	268,273	11,954	-	396,089	5,099	2,934
Total liabilities and fund balance	\$ 99,706	\$ 1,750	\$ 383,903	\$ 91,107	\$ 14	\$ 396,089	\$ 155,099	\$ 285,886

COUNTY OF INDIANA, PENNSYLVANIA
COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2014

	SPC Team PA	Keystone Innovation Zone	Enterprize Zone	Planning Fund	Indiana County Code Division	Liquid Fuels	Health and Human Services Sub-Committee	Homeless Assistance Program	Total
Assets									
Cash and cash equivalents	\$ 4,053	\$ -	\$ 1,200,833	\$ 23,599	\$ 196,124	\$ 814,392	\$ 9,518	\$ 27,458	\$ 5,396,701
Investments	-	-	-	-	-	461,703	-	-	563,441
Receivables:									
Other governmental grants	-	-	-	16,300	-	47,487	-	-	1,692,601
Other	-	-	-	-	-	-	-	-	70,992
Loans	-	-	37,291	-	-	-	-	-	366,550
Due from other funds	-	-	-	-	-	-	-	-	28,275
Prepaid expenses	-	-	-	-	-	-	-	1,288	19,160
Total assets	\$ 4,053	\$ -	\$ 1,238,124	\$ 39,899	\$ 196,124	\$ 1,323,582	\$ 9,518	\$ 28,746	\$ 8,137,720
Liabilities									
Accounts Payable	\$ -	\$ -	\$ -	\$ 31,988	\$ 80,044	\$ 151,031	\$ -	\$ 21,238	\$ 848,112
Due to other governments	-	-	-	-	-	-	-	-	60,575
Due to other funds	-	-	-	3,835	-	-	401	2,008	2,119,584
Unearned loans receivable	-	-	37,291	-	-	-	-	-	366,550
Total liabilities	-	-	37,291	35,823	80,044	151,031	401	23,246	3,394,821
Fund Balance (Deficit)									
Fund balance (deficit):									
Nonspendable	-	-	-	-	-	-	-	1,288	19,160
Restricted	4,053	-	1,200,833	4,076	116,080	1,172,551	9,117	4,212	4,837,355
Unassigned	-	-	-	-	-	-	-	-	(113,616)
Total fund balance (deficit)	4,053	-	1,200,833	4,076	116,080	1,172,551	9,117	5,500	4,742,899
Total liabilities and fund balance	\$ 4,053	\$ -	\$ 1,238,124	\$ 39,899	\$ 196,124	\$ 1,323,582	\$ 9,518	\$ 28,746	\$ 8,137,720

COUNTY OF INDIANA, PENNSYLVANIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (DEFICIT)
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2014

	Human Services Development	MATP	Airport Construction	Case Management	Welfare to Work	Child Care Information Service	Early Care and Education	Children's Advisory Commission
Revenues								
Taxes, Hotel	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue	88,585	1,205,318	197,864	-	-	-	-	-
Charges for services	400	-	-	-	-	-	-	7,151
Interest income	1	17	7	-	-	-	-	1
Other revenue	-	-	-	-	-	-	-	-
Total Revenues	88,986	1,205,335	197,871	-	-	-	-	7,152
Expenditures								
Current operating:								
General government	-	-	-	-	-	-	-	-
Judicial	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Public works	-	-	189,627	-	-	-	-	-
Human services	74,382	1,258,575	-	-	-	-	-	9,118
Culture and recreation	-	-	-	-	-	-	-	-
Conservation and development	-	-	-	-	-	-	-	-
Debt service								
Principal	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Total Expenditures	74,382	1,258,575	189,627	-	-	-	-	9,118
Excess (deficiency) of revenues over expenditures	14,604	(53,240)	8,244	-	-	-	-	(1,966)
Other financing sources (uses)								
Amounts received from loans	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Net change in fund balance	14,604	(53,240)	8,244	-	-	-	-	(1,966)
Fund balance (deficit), beginning of year	(7,488)	49,736	(120,055)	-	-	-	-	5,383
Fund balance (deficit), end of year	\$ 7,116	\$ (3,504)	\$ (111,811)	\$ -	\$ -	\$ -	\$ -	\$ 3,417

COUNTY OF INDIANA, PENNSYLVANIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (DEFICIT) (CONTINUED)
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2014

	Working Wardrobe	Enhanced 911	Hazardous Materials	911 Wireless	Keystone Comm. Program	Jail Commissary	Register of Wills Ck of Orphan Ct	County Record's Improvement
Revenues								
Taxes, Hotel	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue	19,965	103,938	25,203	484,170	42,177	-	-	-
Charges for services	-	417,959	28,826	-	-	70,439	4,020	17,668
Interest income	-	14	3	87	-	11	-	15
Other revenue	140	-	18,450	-	-	-	-	-
Total Revenues	20,105	521,911	72,482	484,257	42,177	70,450	4,020	17,683
Expenditures								
Current operating:								
General government	-	-	-	-	-	-	-	20,802
Judicial	-	-	-	-	-	-	-	-
Public safety	-	562,648	134,347	376,782	-	72,179	-	-
Public works	-	-	-	-	-	-	-	-
Human services	19,995	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
Conservation and development	-	-	-	-	42,177	-	-	-
Debt service								
Principal	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Capital outlay	-	-	9,600	-	-	-	-	-
Total Expenditures	19,995	562,648	143,947	376,782	42,177	72,179	-	20,802
Excess (deficiency) of revenues over expenditures	110	(40,737)	(71,465)	107,475	-	(1,729)	4,020	(3,119)
Other financing sources (uses)								
Amounts loaned to others	-	-	-	-	-	-	-	-
Amounts received from loans	-	-	-	-	-	-	-	-
Disposal of fixed assets	-	-	-	-	-	-	-	-
Proceeds from Capital Lease	-	-	32,480	-	-	-	-	-
Transfers in	-	-	30,000	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	62,480	-	-	-	-	-
Net change in fund balance	110	(40,737)	(8,985)	107,475	-	(1,729)	4,020	(3,119)
Fund balance (deficit), beginning of year	2,530	49,900	25,583	241,642	-	119,994	-	71,486
Fund balance (deficit), end of year	\$ 2,640	\$ 9,163	\$ 16,598	\$ 349,117	\$ -	\$ 118,265	\$ 4,020	\$ 68,367

COUNTY OF INDIANA, PENNSYLVANIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (DEFICIT) (CONTINUED)
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2014

	Register and Recorder Records Improvement	Assessment Uniform Parcel ID	Recorder's Uniform Parcel ID	Domestic Relations	Drug Task Force	DA Special Investigations	DA Grants	Sheriff Public Safety Training
Revenues								
Taxes, Hotel	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue	-	-	-	833,007	66,709	-	2,040	-
Charges for services	26,235	8,320	8,320	38,110	-	83,829	-	2,500
Interest income	12	6	2	2,558	-	3	-	1
Other revenue	-	-	-	-	1,394	2,500	-	1,932
Total Revenues	26,247	8,326	8,322	873,675	68,103	86,332	2,040	4,433
Expenditures								
Current operating:								
General government	13,598	10,724	-	-	-	-	-	-
Judicial	-	-	-	897,054	71,042	63,507	2,040	1,144
Public safety	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-
Human services	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
Conservation and development	-	-	-	-	-	-	-	-
Debt service								
Principal	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Total Expenditures	13,598	10,724	-	897,054	71,042	63,507	2,040	1,144
Excess (deficiency) of revenues over expenditures	12,649	(2,398)	8,322	(23,379)	(2,939)	22,825	-	3,289
Other financing sources (uses)								
Amounts received from loans	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	16,700	6,000	-	-
Transfers out	-	-	-	-	(6,000)	(16,700)	-	-
Total other financing sources (uses)	-	-	-	-	10,700	(10,700)	-	-
Net change in fund balance	12,649	(2,398)	8,322	(23,379)	7,761	12,125	-	3,289
Fund balance (deficit), beginning of year	48,929	29,851	398	870,996	(9,062)	13,561	-	4,907
Fund balance (deficit), end of year	\$ 61,578	\$ 27,453	\$ 8,720	\$ 847,617	\$ (1,301)	\$ 25,686	\$ -	\$ 8,196

COUNTY OF INDIANA, PENNSYLVANIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (DEFICIT) (CONTINUED)
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2014

	Prothonotary Automation	Adoption Counseling	Hotel Tax	Parks Gas Lease	Festival of Lights	Parks Enterprise	Farmlands Preservation	Community Development Block Grant
Revenues								
Taxes, Hotel	\$ -	\$ -	\$ 389,289	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue	-	-	-	-	-	-	-	782,310
Charges for services	15,939	750	-	9,894	47,404	48,598	-	-
Interest income	36	2	4	1	2	6	3	-
Other revenue	-	-	-	-	3,804	17,504	-	-
Total Revenues	<u>15,975</u>	<u>752</u>	<u>389,293</u>	<u>9,895</u>	<u>51,210</u>	<u>66,108</u>	<u>3</u>	<u>782,310</u>
Expenditures								
Current operating:								
General government	-	-	-	-	-	-	-	-
Judicial	7,151	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-
Human services	-	-	-	-	-	-	-	-
Culture and recreation	-	-	389,195	7,345	38,251	73,657	-	-
Conservation and development	-	-	-	-	-	-	-	784,640
Debt service								
Principal	8,204	-	-	-	-	-	-	-
Interest	205	-	-	-	-	-	-	-
Capital outlay	4,434	-	-	-	-	-	-	-
Total Expenditures	<u>19,994</u>	<u>-</u>	<u>389,195</u>	<u>7,345</u>	<u>38,251</u>	<u>73,657</u>	<u>-</u>	<u>784,640</u>
Excess (deficiency) of revenues over expenditures	<u>(4,019)</u>	<u>752</u>	<u>98</u>	<u>2,550</u>	<u>12,959</u>	<u>(7,549)</u>	<u>3</u>	<u>(2,330)</u>
Other financing sources (uses)								
Amounts received from loans	-	-	-	-	-	-	-	-
Disposal of fixed assets	-	-	-	-	-	285	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>285</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(4,019)	752	98	2,550	12,959	(7,264)	3	(2,330)
Fund balance (deficit), beginning of year	14,530	9,989	-	2,511	23,079	29,927	12,963	5,915
Fund balance (deficit), end of year	<u>\$ 10,511</u>	<u>\$ 10,741</u>	<u>\$ 98</u>	<u>\$ 5,061</u>	<u>\$ 36,038</u>	<u>\$ 22,663</u>	<u>\$ 12,966</u>	<u>\$ 3,585</u>

COUNTY OF INDIANA, PENNSYLVANIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (DEFICIT) (CONTINUED)
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2014

	HOME Investment	Escrow Fund	Affordable Housing and Act 137	Emergency Repair	Emergency Shelter Grant	Community Development Fund	Community Revitalization Program	General Economic Development
Revenues								
Taxes, Hotel	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue	268,931	-	208,441	-	190,988	239,250	-	282,852
Charges for services	-	-	43,530	-	-	-	-	-
Interest income	-	-	334	2	-	82	3	-
Other revenue	-	-	48,058	7,665	-	-	-	-
Total Revenues	<u>268,931</u>	<u>-</u>	<u>300,363</u>	<u>7,667</u>	<u>190,988</u>	<u>239,332</u>	<u>3</u>	<u>282,852</u>
Expenditures								
Current operating:								
General government	-	-	-	-	-	-	-	-
Judicial	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-
Human services	-	-	-	-	181,251	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
Conservation and development	270,845	-	270,760	10,785	-	357,000	-	286,616
Debt service								
Principal	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Total Expenditures	<u>270,845</u>	<u>-</u>	<u>270,760</u>	<u>10,785</u>	<u>181,251</u>	<u>357,000</u>	<u>-</u>	<u>286,616</u>
Excess (deficiency) of revenues over expenditures	(1,914)	-	29,603	(3,118)	9,737	(117,668)	3	(3,764)
Other financing sources (uses)								
Amounts loaned to others	-	-	-	-	-	-	(150,000)	-
Amounts received from loans	-	-	-	2,536	-	-	-	-
Disposal of fixed assets	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	(117)	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,536</u>	<u>-</u>	<u>(117)</u>	<u>(150,000)</u>	<u>-</u>
Net change in fund balance	(1,914)	-	29,603	(582)	9,737	(117,785)	(149,997)	(3,764)
Fund balance (deficit), beginning of year	4,204	1,050	238,670	12,536	(9,737)	513,874	155,096	6,698
Fund balance (deficit), end of year	<u>\$ 2,290</u>	<u>\$ 1,050</u>	<u>\$ 268,273</u>	<u>\$ 11,954</u>	<u>\$ -</u>	<u>\$ 396,089</u>	<u>\$ 5,099</u>	<u>\$ 2,934</u>

COUNTY OF INDIANA, PENNSYLVANIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (DEFICIT) (CONTINUED)
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2014

	SPC Team PA	Keystone Innovation Zone	Enterprize Zone	Planning Fund	Indiana County Code Division	Liquid Fuels	Health and Human Services Sub-Committee	Homeless Assistance Program	Total
Revenues									
Taxes, Hotel	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 389,289
Intergovernmental revenue	-	-	-	43,251	-	433,376	-	222,369	5,740,744
Charges for services	-	-	-	-	54,774	-	13,566	-	948,232
Interest income	1	-	240	2	49	2,454	3	7	5,969
Other revenue	-	-	-	-	-	43,587	-	-	145,034
Total Revenues	1	-	240	43,253	54,823	479,417	13,569	222,376	7,229,268
Expenditures									
Current operating:									
General government	-	-	-	39,185	169,304	-	-	-	253,613
Judicial	-	-	-	-	-	-	-	-	1,041,938
Public safety	-	-	-	-	-	-	5,312	-	1,151,268
Public works	-	-	-	-	-	1,184,552	-	-	1,374,179
Human services	-	-	-	-	-	-	-	227,662	1,770,983
Culture and recreation	-	-	-	-	-	-	-	-	508,448
Conservation and development	-	-	220	-	-	-	-	-	2,023,043
Debt service									
Principal	-	-	-	-	-	-	-	-	8,204
Interest	-	-	-	-	-	-	-	-	205
Capital outlay	-	-	-	-	-	-	-	-	14,034
Total Expenditures	-	-	220	39,185	169,304	1,184,552	5,312	227,662	8,145,915
Excess (deficiency) of revenues over expenditures	1	-	20	4,068	(114,481)	(705,135)	8,257	(5,286)	(916,647)
Other financing sources (uses)									
Amounts loaned to others	-	-	-	-	-	-	-	-	(150,000)
Amounts received from loans	-	-	-	-	-	-	-	-	2,536
Proceeds of Capital Lease	-	-	-	-	-	-	-	-	32,480
Disposal of fixed assets	-	-	-	-	-	-	-	-	285
Transfers in	-	-	-	-	-	-	-	-	52,700
Transfers out	-	-	-	-	-	-	-	-	(22,817)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	(84,816)
Net change in fund balance	1	-	20	4,068	(114,481)	(705,135)	8,257	(5,286)	(1,001,463)
Fund balance (deficit), beginning of year	4,052	-	1,200,813	8	230,561	1,877,686	860	10,786	5,744,362
Fund balance (deficit), end of year	\$ 4,053	\$ -	\$ 1,200,833	\$ 4,076	\$ 116,080	\$ 1,172,551	\$ 9,117	\$ 5,500	\$ 4,742,899

COUNTY OF INDIANA, PENNSYLVANIA
 COMBINING STATEMENT OF NET POSITION
 DISCRETELY PRESENTED COMPONENT UNITS
 DECEMBER 31, 2014

	Indiana County Municipal Services Authority	Highridge Water Authority	Total Component Units
<u>Assets</u>			
Current Assets:			
Cash and cash equivalents	\$ 646,146	\$ 1,000,353	\$ 1,646,499
Restricted cash and cash equivalents	882,566	-	882,566
Accounts Receivable	744,672	320,635	1,065,307
Due from other governments	-	-	-
Prepaid expenses and other current assets	351,534	36,943	388,477
Inventories	-	88,649	88,649
	<u>2,624,918</u>	<u>1,446,580</u>	<u>4,071,498</u>
Total current assets			
Noncurrent assets:			
Capital Assets (net of accumulated depreciation)	86,539,562	31,846,795	118,386,357
Intangible Assets	-	1,480,238	1,480,238
Trustee held funds	-	206,905	206,905
	<u>86,539,562</u>	<u>33,533,938</u>	<u>120,073,500</u>
Total noncurrent assets			
	<u>\$ 89,164,480</u>	<u>\$ 34,980,518</u>	<u>\$ 124,144,998</u>
<u>Liabilities</u>			
Current liabilities:			
Accounts payable and accrued expenses	\$ 201,053	\$ 92,317	\$ 293,370
Accrued Expenses	93,735	122,297	216,032
Accrued Interest Payable	142,992	39,419	182,411
Current portion of long-term debt	3,059,086	1,086,571	4,145,657
Current portion of capital lease	62,409	-	62,409
Line of credit	246,384	-	246,384
	<u>3,805,659</u>	<u>1,340,604</u>	<u>5,146,263</u>
Total current liabilities			
Noncurrent liabilities:			
Capital lease	112,986	-	112,986
Long-term debt	49,394,854	13,647,099	63,041,953
	<u>49,507,840</u>	<u>13,647,099</u>	<u>63,154,939</u>
Total noncurrent liabilities			
	<u>53,313,499</u>	<u>14,987,703</u>	<u>68,301,202</u>
Total Liabilities			
<u>Net Position</u>			
Net investment in capital assets	34,118,769	10,312,210	44,430,979
Restricted per bond indenture	1,018,930	-	1,018,930
Restricted for construction	288,868	-	288,868
Unrestricted	424,414	9,680,605	10,105,019
	<u>35,850,981</u>	<u>19,992,815</u>	<u>55,843,796</u>
Total net position			
	<u>\$ 89,164,480</u>	<u>\$ 34,980,518</u>	<u>\$ 124,144,998</u>
Total liabilities and net position			

COUNTY OF INDIANA, PENNSYLVANIA
 COMBINING STATEMENT OF ACTIVITIES
 DISCRETELY PRESENTED COMPONENT UNITS
 FOR THE YEAR ENDED DECEMBER 31, 2014

	Indiana County Municipal Services Authority	Highridge Water Authority	Total Component Units
Operating Revenues			
Charges for services	\$ 5,873,459	\$ 2,791,412	\$ 8,664,871
Other revenue	<u>548,050</u>	<u>454,784</u>	<u>1,002,834</u>
Total Operating Revenues	<u>6,421,509</u>	<u>3,246,196</u>	<u>9,667,705</u>
Operating Expenses			
General and administration	327,126	468,118	795,244
Operating costs	2,970,715	1,342,159	4,312,874
Depreciation and amortization	<u>2,929,285</u>	<u>871,733</u>	<u>3,801,018</u>
Total Operating Expenses	<u>6,227,126</u>	<u>2,682,010</u>	<u>8,909,136</u>
Operating Income	194,383	564,186	758,569
Nonoperating Revenues (Expenses)			
Interest Income	137	-	137
Contributed Capital	-	976,800	976,800
Interest Expense	(892,152)	(279,329)	(1,171,481)
Gain on Sale of Asset	11,492	-	11,492
Grants for construction	<u>3,618,257</u>	<u>-</u>	<u>3,618,257</u>
Total Nonoperating Revenues (Expenses)	<u>2,737,734</u>	<u>697,471</u>	<u>3,435,205</u>
Changes in Net Position	<u>2,932,117</u>	<u>1,261,657</u>	<u>4,193,774</u>
Net Position - Beginning of Year	32,918,864	18,731,158	51,650,022
Net Position - End of Year	<u>\$ 35,850,981</u>	<u>\$ 19,992,815</u>	<u>\$ 55,843,796</u>