

COUNTY OF INDIANA, PENNSYLVANIA

INDIANA, PENNSYLVANIA

**FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017**

COUNTY OF INDIANA, PENNSYLVANIA
YEAR ENDED DECEMBER 31, 2017

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INDEPENDENT AUDITOR'S 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, 2017, 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 units 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of 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.



County Commissioners
County of Indiana
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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 of the COUNTY OF INDIANA, PENNSYLVANIA, as of December 31, 2017, and the respective changes in the financial position the year then ended in accordance 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 2017 the County adopted the provisions of Governmental Accounting Standards Board GASB Statement No. 74 "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans", Statement No. 80 "Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14", Statement No. 81 "Irrevocable Spilt Interest Agreements", and Statement No. 82 "Pension Issues an amendment of GASB Statements No. 67. No. 68, and No. 73". Our opinion is not modified with respect to these matters.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 24, 2018 on our consideration of the COUNTY OF INDIANA, PENNSYLVANIA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the score of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering COUNTY OF INDIANA, PENNSYLVANIA's internal control over financial reporting and compliance.



County Commissioners
County of Indiana
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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 64 through 67 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.

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 basic financial statements. The combining and individual nonmajor fund financial statements and combining discretely presented component units financial statements on pages 69 through 84 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Zelenkofske Axlerod LLC

ZELENKOFSCHE AXELROD LLC

September 10, 2018
Pittsburgh, Pennsylvania

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2017

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, 2017. 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

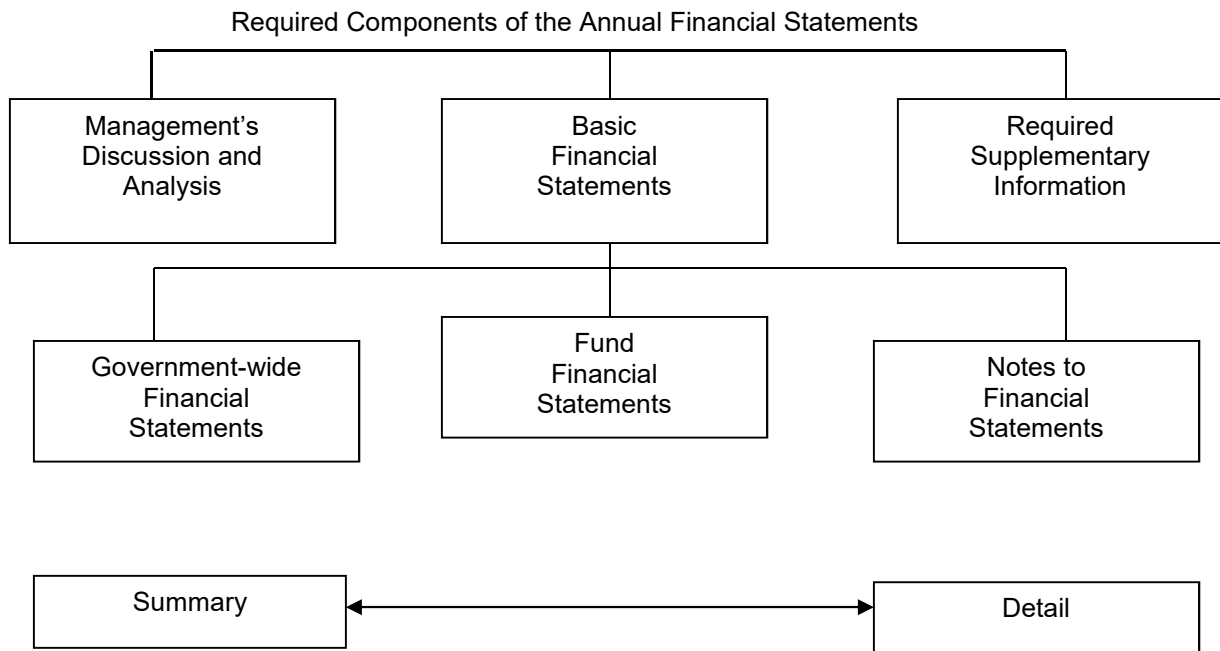
Management's discussion and analysis is a guide to reading the financial statements and provides related information to help the reader to better understand the COUNTY's government. The basic financial statements include notes that provide additional information essential to a full understanding of the 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 units.
- *Fund financial statements*, the remaining statements, focus on individual parts of the COUNTY's government. They provide more detail on operations than the government-wide statements. There are three types of fund financial statements:
 - *Governmental funds statements* show how general government services such as public safety, human services, public works, culture and recreation, and conservation and development are financed in the short term, as well as what remains for future spending.
 - *Proprietary fund statements* offer short-term and long-term financial information about the activities the COUNTY operates like a business, 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, 2017**

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



**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017**

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

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

	Government-wide Statements	Fund Financial Statements		
		Governmental	Proprietary	Fiduciary
Scope	Entire entity (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 DISCUSSION AND ANALYSIS
DECEMBER 31, 2017

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 DISCUSSION AND ANALYSIS DECEMBER 31, 2017

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 funds. 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 DISCUSSION AND ANALYSIS
DECEMBER 31, 2017**

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Net Position

The COUNTY's total assets were \$120,885,568 at December 31, 2017. Of this amount, \$71,200,474 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 – 2017/2016

	2017 Governmental Activities	2016 Governmental Activities	2017 Business- type Activities	2016 Business- type Activities	2017 Total	2016 Total
Capital Assets	\$ 70,018,678	\$ 73,137,362	\$ 1,181,796	\$ 1,350,372	\$ 71,200,474	\$ 74,487,734
Other Assets	<u>46,660,354</u>	<u>41,323,228</u>	<u>3,024,740</u>	<u>2,436,023</u>	<u>49,685,094</u>	<u>43,759,251</u>
Total Assets	<u>\$ 116,679,032</u>	<u>\$ 114,460,590</u>	<u>\$ 4,206,536</u>	<u>\$ 3,786,395</u>	<u>\$ 120,885,568</u>	<u>\$ 118,246,985</u>
Deferred Outflows	<u>\$ 1,177,321</u>	<u>\$ 993,600</u>	<u>\$ 324,364</u>	<u>\$ 273,747</u>	<u>\$ 1,501,685</u>	<u>\$ 1,267,347</u>
Current Liabilities	\$ 11,654,055	\$ 7,382,271	\$ 203,029	\$ 249,015	\$ 11,857,084	\$ 7,631,286
Long-term Liabilities	<u>45,336,752</u>	<u>48,964,798</u>	<u>6,649</u>	<u>10,425</u>	<u>45,343,401</u>	<u>48,975,223</u>
Total Liabilities	<u>\$ 56,990,807</u>	<u>\$ 56,347,069</u>	<u>\$ 209,678</u>	<u>\$ 259,440</u>	<u>\$ 57,200,485</u>	<u>\$ 56,606,509</u>
Deferred Inflows	<u>\$ 1,762,466</u>	<u>\$ -</u>	<u>\$ 485,577</u>	<u>\$ -</u>	<u>\$ 2,248,043</u>	<u>\$ -</u>
Net Position:						
Net Investment In Capital Assets	\$ 21,699,046	\$ 20,595,348	\$ 1,181,796	\$ 1,336,171	\$ 22,880,842	\$ 21,931,519
Restricted Net Position	6,491,476	9,029,258	34,901	36,868	6,526,377	9,066,126
Unrestricted Net Position	<u>30,912,558</u>	<u>29,482,515</u>	<u>2,618,948</u>	<u>2,427,663</u>	<u>33,531,506</u>	<u>31,910,178</u>
Total Net Position	<u>\$ 59,103,080</u>	<u>\$ 59,107,121</u>	<u>\$ 3,835,645</u>	<u>\$ 3,800,702</u>	<u>\$ 62,938,725</u>	<u>\$ 62,907,823</u>

**MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2017**

Change in Net Position

The following statement of activities represents the change in net position for the years ended December 31, 2017 and 2016. 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					
	2017 Governmental Activities	2016 Governmental Activities	2017 Business-type Activities	2016 Business-type Activities	2017 Total	2016 Total
Program Revenues:						
Charges for Services	\$ 8,648,060	\$ 4,077,823	\$ 8,932,587	\$ 10,632,943	\$ 17,580,647	\$ 14,710,766
Grants and Contributions	18,442,638	18,898,348	-	-	18,442,638	18,898,348
General Revenues:						
Property Taxes	22,383,186	21,682,035	-	-	22,383,186	21,682,035
Hotel Taxes	526,469	398,991	-	-	526,469	398,991
Unrestricted			-			
Investment Earnings	386,302	128,215	-	12,126	386,302	140,341
Transfers	339,484	306,622	(339,484)	(306,622)	-	-
Miscellaneous Revenue	441,299	413,504	-	-	441,299	413,504
Gain/(Loss) on disposal of assets	9,379	72,481	-	-	9,379	72,481
Total Revenues	\$ 51,176,817	\$ 45,978,019	\$ 8,593,103	\$ 10,338,447	\$ 59,769,920	\$ 56,316,466
Expenses:						
General Government - Administrative	\$ 6,390,541	\$ 7,125,583	\$ -	\$ -	\$ 6,390,541	\$ 7,125,583
General Government - Judicial	6,983,825	6,639,849	-	-	6,983,825	6,639,849
Public Safety	19,021,638	13,204,453	-	-	19,021,638	13,204,453
Public Works	2,513,879	2,047,557	-	-	2,513,879	2,047,557
Human Services	9,361,814	8,739,038	8,558,160	10,589,698	17,919,974	19,328,736
Culture and Recreation	1,433,641	1,368,049	-	-	1,433,641	1,368,049
Conservation and Development	4,437,398	2,809,869	-	-	4,437,398	2,809,869
Interest on Long-Term Debt	1,038,123	2,458,463	-	-	1,038,123	2,458,463
Total Expenses	51,180,859	44,392,861	8,558,160	10,589,698	59,739,019	54,982,559
Change in Net Position	(4,042)	1,585,158	34,943	(251,251)	30,901	1,333,907
Net Position - January 1	59,107,122	57,521,963	3,800,702	4,051,953	62,907,824	61,573,916
Net Position - December 31	\$ 59,103,080	\$ 59,107,121	\$ 3,835,645	\$ 3,800,702	\$ 62,938,725	\$ 62,907,823

**MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2017**

Net Program Expenses

Net program expenses indicate the amount of support required from taxes and other general revenues for a program of the government. In 2017, property taxes brought in \$22,383,186.

Net Cost of Governmental and Business-type Activities

	2017	2016	2017	2016
	Total Cost of Services	Total Cost of Services	Net Cost of Services	Net Cost of Services
Program:				
General Government-Administrative	\$ 6,390,541	\$ 7,125,583	\$ (4,265,029)	\$ (5,210,003)
General Government-Judicial	6,983,825	6,639,849	(2,532,509)	(4,071,005)
Public Safety	19,021,638	13,204,453	(12,150,541)	(7,766,132)
Public Works	2,513,879	2,047,557	(1,355,119)	450,426
Human Service	9,361,814	8,739,038	(1,447,526)	(918,591)
Culture and Recreation	1,433,641	1,368,049	(1,362,688)	(1,294,363)
Conservation and Development	4,437,398	2,809,869	61,374	(148,559)
Interest on Long-Term Debt	1,038,123	2,458,463	(1,038,123)	(2,458,463)
Communities at Indian Haven	8,558,160	10,589,698	374,427	55,371
Total	\$ 59,739,019	\$ 54,982,559	\$ (23,715,734)	\$ (21,361,319)

The COUNTY relied on property taxes and other general revenues to fund 37.47% of its governmental and business-type activities in 2017.

**MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2017**

Capital Assets

The COUNTY's investment in capital assets at December 31, 2017, net of accumulated depreciation, was \$71,200,474. Capital assets consist primarily of land, buildings and equipment. The following is a summary of capital assets at December 31, 2017 and 2016:

	2017		2016		2017		2016	
	Governmental	Governmental	Business-type	Business-type	2017	2016	2017	2016
	Activities	Activities	Activities	Activities	Total	Total	Total	Total
Land	\$ 2,085,470	\$ 2,085,470	\$ -	\$ -	\$ 2,085,470	\$ 2,085,470	\$ 2,085,470	\$ 2,085,470
Building and Improvements	63,658,459	63,242,940	4,522,489	4,445,442	68,180,948	67,688,382	68,180,948	67,688,382
Equipment and machinery	29,424,394	28,983,953	3,860,168	3,811,337	33,284,562	32,795,290	33,284,562	32,795,290
Construction in Progress	867,800	464,714	-	-	867,800	464,714	867,800	464,714
Infrastructure	18,266,353	18,266,353	-	-	18,266,353	18,266,353	18,266,353	18,266,353
Capitalized Interest	-	-	165,318	165,318	165,318	165,318	165,318	165,318
Accumulated Depreciation	<u>(44,283,798)</u>	<u>(39,906,068)</u>	<u>(7,366,179)</u>	<u>(7,071,724)</u>	<u>(51,649,977)</u>	<u>(46,977,792)</u>	<u>(51,649,977)</u>	<u>(46,977,792)</u>
Total Net Capital Assets	<u>\$ 70,018,678</u>	<u>\$ 73,137,362</u>	<u>\$ 1,181,796</u>	<u>\$ 1,350,373</u>	<u>\$ 71,200,474</u>	<u>\$ 74,487,735</u>	<u>\$ 71,200,474</u>	<u>\$ 74,487,735</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, 2017

Debt Administration

At December 31, 2017, the COUNTY had \$48,984,818 of debt outstanding. Debt decreased 7.96% from the previous year. The following is a summary of debt obligations for the 2017 year:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<u>Governmental Activities</u>					
Bonds and Notes Payable:					
General Obligation Notes	\$ 52,360,344	\$ 9,116,639	\$ (13,452,312)	\$ 48,024,671	\$ 3,559,481
Total Bonds and Notes Payable	<u>52,360,344</u>	<u>9,116,639</u>	<u>(13,452,312)</u>	<u>48,024,671</u>	<u>3,559,481</u>
Other Liabilities:					
Capital Lease Obligations	76,287	904,870	(807,154)	174,003	78,160
Compensated Absences	769,301	6,418	-	775,719	-
Total Other Liabilities	<u>845,588</u>	<u>911,288</u>	<u>(807,154)</u>	<u>949,722</u>	<u>78,160</u>
Governmental Activities Long-Term Liabilities	<u>53,205,932</u>	<u>10,027,927</u>	<u>(14,259,466)</u>	<u>48,974,393</u>	<u>3,637,641</u>
<u>Business-Type Activities</u>					
Capital Lease Obligations	\$ 14,201	\$ -	\$ (3,776)	\$ 10,425	\$ 3,776
Business-Type Activities Long-Term Liabilities	<u>\$ 14,201</u>	<u>\$ -</u>	<u>\$ (3,776)</u>	<u>\$ 10,425</u>	<u>\$ 3,776</u>
Total	<u>\$ 53,220,133</u>	<u>\$ 10,027,927</u>	<u>\$ (14,263,242)</u>	<u>\$ 48,984,818</u>	<u>\$ 3,641,417</u>

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

**MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2017**

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, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
Revenues:		
Taxes	\$ 22,333,486	\$ 22,589,063
Intergovernmental Revenues	18,442,638	18,898,348
Departmental Charges	7,572,963	3,066,321
Charges for Services	1,075,097	1,011,502
Interest	353,494	95,751
Other	441,299	413,504
Debt Proceeds	-	802,904
Amounts Received from Loans	2,300,991	859,784
Disposal of Fixed Assets	50,072	88,849
Proceeds from TAN	-	4,518,681
Capital Lease Proceeds	904,870	-
Operation Transfers In	<u>897,059</u>	<u>1,059,975</u>
Total Revenues	<u>\$ 54,371,969</u>	<u>\$ 53,404,682</u>

There are several factors relating to increases/decreases in revenues from 2017 to 2016. The county had an increase in amounts received from loans due to three outstanding loans being paid off. The county had a decrease in proceeds from TAN due to not having a tax anticipation note in 2017.

**MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2017**

GOVERNMENTAL FUND EXPENDITURES

Governmental fund expenditures by function at December 31, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
Expenditures:		
General Government- Administrative	\$ 6,682,551	\$ 5,997,518
General Government-Judicial	7,568,430	6,581,732
Public Safety	16,417,665	11,681,309
Public Works	731,904	1,014,374
Human Services	9,874,614	8,794,056
Culture and Recreation	1,588,243	1,176,867
Conservation and Development	5,281,872	2,851,248
Debt Service	5,358,222	5,907,779
Repayment of TAN	-	4,518,681
Amounts Loaned to Others	486,112	622,312
Operating Transfers Out	<u>557,574</u>	<u>753,353</u>
Total Expenditures	<u>\$ 54,547,187</u>	<u>\$ 49,899,229</u>

Increase in the public safety function represents the increases in Jail expenditures from the previous year. In addition, the Children and Youth program has increased expenses due to higher salaries and benefits.

GOVERNMENTAL FUND BALANCES AND PROPRIETARY FUND NET POSITION

Ending balances for governmental funds and net position for proprietary funds at December 31, 2017 and 2016 were as follows:

<u>Fund</u>	<u>2017 Governmental Funds</u>	<u>2016 Governmental Funds</u>	<u>2017 Proprietary Funds</u>	<u>2016 Proprietary Funds</u>
General Fund	\$ 16,675,189	\$ 14,407,778	\$ -	\$ -
Community Program for Restoration	341,423	272,872		
Revolving Loan	1,100,624	1,024,220	-	-
Nonmajor Governmental Funds	3,845,506	6,542,186		-
Communities at Indian Haven	<u>-</u>	<u>-</u>	<u>3,835,645</u>	<u>3,800,702</u>
Total	<u>\$ 21,962,742</u>	<u>\$ 22,247,056</u>	<u>\$ 3,835,645</u>	<u>\$ 3,800,702</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, 2017**

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 2017 general fund budget can be found in Required Supplemental Information.

Overall the County general fund actual revenue had an excess of the budget of \$254,207. The general fund expenditures had a decrease from the actual budget of \$2,198,202. This showed an excess of revenue over expenditures of \$2,452,409. Numerous factors went into these results but mainly the management of the commissioners on the oversight on the budget was able to have these final results. The 2017 budget was completed for the general fund, the liquid fuels fund, and the capital improvement fund. The general fund budget in 2017 had an opening balance of \$3,201,331. There was no increase with taxes. The real estate tax rate was 4.445 mills, 1.0 mills applied to debt and the remaining 3.445 mills applied to general obligations.

ECONOMIC CONDITIONS AND NEXT YEAR'S BUDGET

The 2018 budget was completed for the general fund, the liquid fuels fund, and the capital improvement fund. The general fund budget in 2018 had an opening balance of \$2,210,640. There was no increase in taxes. The real estate tax rate was 4.445 mills, .76 mills applied to debt and the remaining 3.685 mills applied to general obligations.

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, 2017

Assets	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Cash and Cash Equivalents	\$ 17,284,144	\$ 781,139	\$ 18,065,283	\$ 1,389,170
Investments	652,194	-	652,194	-
Restricted Assets				
Cash and Cash Equivalents	-	34,901	34,901	957,252
Resident's Cash	-	11,269	11,269	-
Receivables (Net, where applicable, of Allowance for Uncollectibles)				
Accounts	2,417,787	1,465,129	3,882,916	1,472,105
Taxes	2,298,837	-	2,298,837	-
Loans	10,878,613	-	10,878,613	-
Notes (current)	-	-	-	96,537
Due From Other Governments	7,781,313	-	7,781,313	-
Prepaid Assets	-	38,703	38,703	52,307
Inventory	-	-	-	106,657
Net Pension Asset	3,931,021	1,083,036	5,014,057	-
Other Assets	1,027,008	-	1,027,008	313,532
Internal Balances	389,437	(389,437)	-	-
Trustee Held Funds	-	-	-	217,433
Intangible Assets	-	-	-	1,173,779
Note Receivable Less Current Portion	-	-	-	1,713,769
Capital Assets: (Net)				
Depreciable	67,065,408	1,181,796	68,247,204	117,459,643
Non-depreciable	2,953,270	-	2,953,270	-
Total Assets	\$ 116,679,032	\$ 4,206,536	\$ 120,885,568	\$ 124,952,184
Deferred Outflow of Resources				
Deferred amounts from pension liability	\$ 1,177,321	\$ 324,364	\$ 1,501,685	\$ -
Liabilities				
Accounts Payable	\$ 7,117,934	\$ 187,984	\$ 7,305,918	\$ 170,052
Accrued Expenses	739,050	-	739,050	271,104
Unearned Revenues	-	-	-	141,787
Due to Other Governments	38,472	-	38,472	-
Funds Held in Fiduciary Capacity	-	11,269	11,269	-
Accrued Interest Payable on Debt	120,958	-	120,958	170,867
Line of Credit	-	-	-	200,812
Current Portions of Long-Term Liabilities:				
Loans and Notes Payable	3,559,481	-	3,559,481	4,836,065
Capital Lease Payable	78,160	3,776	81,936	56,597
Non-Current Portions of Long-Term Liabilities:				
Loans and Notes Payable	44,465,190	-	44,465,190	57,085,582
Capital Lease Payable	95,843	6,649	102,492	124,528
Compensated Absences	775,719	-	775,719	-
Total Liabilities	56,990,807	209,678	57,200,485	63,057,394
Deferred Inflow of Resources				
Deferred amounts from pension liability	1,762,466	485,577	2,248,043	-
Net Position				
Net Investment in Capital Assets	21,699,046	1,181,796	22,880,842	48,152,001
Restricted Net Position				
Program Purposes	6,491,476	-	6,491,476	-
Bond Indenture	-	-	-	953,759
Capital projects	-	34,901	34,901	3,493
Unrestricted	30,912,558	2,618,948	33,531,506	12,630,204
Total Net Position	\$ 59,103,080	\$ 3,835,645	\$ 62,938,725	\$ 61,739,457

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

COUNTY OF INDIANA, PENNSYLVANIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units
		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	\$ 6,390,541	\$ 1,811,184	\$ 314,328	\$ -	\$ (4,265,029)	\$ -	\$ (4,265,029)	
General Government - Judicial	6,983,825	2,282,723	2,168,593	-	(2,532,509)	-	(2,532,509)	
Public Safety	19,021,638	4,053,566	2,817,531	-	(12,150,541)	-	(12,150,541)	
Public Works	2,513,879	-	-	1,158,760	(1,355,119)	-	(1,355,119)	
Human Services	9,361,814	310,853	7,603,435	-	(1,447,526)	-	(1,447,526)	
Culture and Recreation	1,433,641	70,953	-	-	(1,362,688)	-	(1,362,688)	
Conservation and Development	4,437,398	118,781	4,379,991	-	61,374	-	61,374	
Interest on Long-Term Debt	1,038,123	-	-	-	(1,038,123)	-	(1,038,123)	
Total Governmental Activities	51,180,859	8,648,060	17,283,878	1,158,760	(24,090,161)	-	(24,090,161)	
Business-Type Activities:								
Communities at Indian Haven	8,558,160	8,932,587	-	-	-	374,427	374,427	
Total Business-Type Activities	8,558,160	8,932,587	-	-	-	374,427	374,427	
Total Primary Government	\$ 59,739,019	\$ 17,580,647	\$ 17,283,878	\$ 1,158,760	\$ (24,090,161)	\$ 374,427	\$ (23,715,734)	
Component Units:								
Indiana County Municipal Services Authority	\$ 7,143,939	\$ 7,031,201	\$ -	\$ 1,775,960				\$ 1,663,222
Highridge Water Authority	3,330,970	3,070,841	-	244,296				(15,833)
Total Component Units	\$ 10,474,909	\$ 10,102,042	\$ -	\$ 2,020,256				\$ 1,647,389
General Revenues:								
Taxes:								
Property					22,383,186	-	22,383,186	-
Hotel Taxes					526,469	-	526,469	-
Unrestricted investment earnings					386,302	-	386,302	22,533
Gain from sale of assets					9,379	-	9,379	17,879
Miscellaneous					441,299	-	441,299	(241,500)
Amorization of bond discount and issuance costs					-	-	-	(292,062)
Loss on disposal of assets					-	-	-	(3,158)
Transfers					339,484	(339,484)	-	-
Total General Revenues					24,086,119	(339,484)	23,746,635	(496,308)
Change in Net Position					(4,042)	34,943	30,901	1,151,081
Net Position - Beginning					59,107,122	3,800,702	62,907,824	60,588,376
Net Position - Ending					\$ 59,103,080	\$ 3,835,645	\$ 62,938,725	\$ 61,739,457

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

COUNTY OF INDIANA, PENNSYLVANIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	General Fund	Community Program for Restoration	Revolving Loan Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 11,511,454	\$ 346,446	\$ 1,102,488	\$ 4,323,756	\$ 17,284,144
Investments	-	-	-	652,194	652,194
Receivables:					
Taxes	2,417,787	-	-	-	2,417,787
Other governmental grants	3,004,662	-	-	4,776,651	7,781,313
Other	1,830,654	-	-	468,183	2,298,837
Loans	7,521,045	1,300,587	899,166	1,157,815	10,878,613
Due from other funds	1,417,806	-	-	45,711	1,463,517
Other assets	1,012,066	-	-	14,942	1,027,008
Total assets	\$ 28,715,474	\$ 1,647,033	\$ 2,001,654	\$ 11,439,252	\$ 43,803,413
Liabilities					
Accounts Payable	\$ 1,819,537	\$ 962	\$ 914	\$ 5,296,521	\$ 7,117,934
Accrued liabilities	707,134	4,061	950	26,905	739,050
Due to other funds	-	-	-	1,074,080	1,074,080
Due to other governments	47	-	-	38,425	38,472
Unearned loans receivable	7,521,045	1,300,587	899,166	1,157,815	10,878,613
Total liabilities	10,047,763	1,305,610	901,030	7,593,746	19,848,149
Deferred Inflows of Resources					
Unavailable Revenue - Property Taxes	1,992,522	-	-	-	1,992,522
Total Deferred Inflows of Resources	1,992,522	-	-	-	1,992,522
Fund Balances					
Nonspendable	1,012,066	-	-	14,942	1,027,008
Restricted	1,218,865	341,423	1,100,624	3,830,564	6,491,476
Assigned	11,354,141	-	-	-	11,354,141
Unassigned	3,090,117	-	-	-	3,090,117
Total fund balances	16,675,189	341,423	1,100,624	3,845,506	21,962,742
Total liabilities and fund balances	\$ 28,715,474	\$ 1,647,033	\$ 2,001,654	\$ 11,439,252	\$ 43,803,413

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, 2017

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

Total fund balances of governmental funds		\$	21,962,742
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$114,302,476 and the accumulated depreciation is \$44,283,798.			70,018,678
Revenues not available to pay for current period expenditures and therefore reported as unearned revenue in the funds:			
Loans Receivable	9,624,835		
Installment Sales of County Property	1,253,778		
Real estate taxes	1,992,522		12,871,135
Net pension assets are not reported in the the funds:			3,931,021
Deferred outflow of resources related to pensions is not reported in the funds			1,177,321
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	(48,024,671)		
Accrued interest on long-term debt	(120,958)		
Capital Lease Payable	(174,003)		
Compensated absences	<u>(775,719)</u>		(49,095,351)
Deferred inflow of resources related to pensions is not reported in the funds			<u>(1,762,466)</u>
		\$	<u>59,103,080</u>

COUNTY OF INDIANA, PENNSYLVANIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	General Fund	Community Program for Restoration	Revolving Loan Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Taxes, Real estate	\$ 21,807,017	\$ -	\$ -	\$ -	\$ 21,807,017
Taxes, Hotel	-	-	-	526,469	526,469
Intergovernmental revenue	7,444,870	-	-	10,997,768	18,442,638
Charges for services	500,684	738	25,515	548,160	1,075,097
Departmental charges	7,572,963	-	-	-	7,572,963
Interest income	348,166	368	138	4,822	353,494
Other revenue	415,246	21,955	-	4,098	441,299
Total Revenues	<u>38,088,946</u>	<u>23,061</u>	<u>25,653</u>	<u>12,081,317</u>	<u>50,218,977</u>
Expenditures					
Current operating:					
General government	5,627,170	-	-	118,595	5,745,765
Judicial	5,517,153	-	-	1,751,296	7,268,449
Public safety	13,597,641	-	-	4,250,897	17,848,538
Public works	256,104	-	-	1,196,198	1,452,302
Human services	8,064,092	-	-	1,660,515	9,724,607
Culture and recreation	850,110	-	-	709,153	1,559,263
Conservation and development	232,765	2,651	11,567	4,408,469	4,655,452
Debt service					
Principal	3,716,719	-	-	618,953	4,335,672
Interest	1,022,550	-	-	-	1,022,550
Total Expenditures	<u>38,884,304</u>	<u>2,651</u>	<u>11,567</u>	<u>14,714,076</u>	<u>53,612,598</u>
Excess (deficiency) of revenues over expenditures	<u>(795,358)</u>	<u>20,410</u>	<u>14,086</u>	<u>(2,632,759)</u>	<u>(3,393,621)</u>
Other financing sources (uses)					
Proceeds from capital lease	904,870	-	-	-	904,870
Amounts received from loans	2,174,129	48,141	62,318	16,403	2,300,991
Disposal of fixed assets	50,072	-	-	-	50,072
Transfers in	408,329	-	-	488,730	897,059
Amounts loaned to others	-	-	-	(486,112)	(486,112)
Transfers out	(474,632)	-	-	(82,942)	(557,574)
Total other financing sources (uses)	<u>3,062,768</u>	<u>48,141</u>	<u>62,318</u>	<u>(63,921)</u>	<u>3,109,306</u>
Net change in fund balance	2,267,410	68,551	76,404	(2,696,680)	(284,315)
Fund balances, beginning of year	<u>14,407,779</u>	<u>272,872</u>	<u>1,024,220</u>	<u>6,542,186</u>	<u>22,247,057</u>
Fund balances, end of year	<u>\$ 16,675,189</u>	<u>\$ 341,423</u>	<u>\$ 1,100,624</u>	<u>\$ 3,845,506</u>	<u>\$ 21,962,742</u>

The accompanying notes are an 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, 2017

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

Net Change in fund balances - total governmental funds \$ (284,315)

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.

Capital Outlays	1,479,276	
Loss on assets disposed	(40,693)	
Depreciation expense	<u>(4,557,267)</u>	(3,118,684)

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.

Change in interest payable on long-term debt	(15,574)	
Principal repayments and payments to escrow agent for debt refunding	<u>4,335,672</u>	4,320,098

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.

Payments made on capital lease obligations	807,154	
New capital assets acquired through capital leases	<u>(904,870)</u>	(97,716)

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.

Loan discount amortized in current year	32,808	
Amounts loaned to others	486,112	
Amounts received from loans	<u>(2,300,991)</u>	(1,782,071)

Governmental funds do not report the changes in compensated absences: (6,418)

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.

Current year	1,992,522	
Prior year	<u>(1,416,353)</u>	576,169

The change in the net pension asset and other pension related items does not require financial resources and is therefore not reported in the funds but is shown as an expense in the statement of activities.

388,895

Changes in net position of governmental activities \$ (4,042)

COUNTY OF INDIANA, PENNSYLVANIA
STATEMENT OF NET POSITION
PROPRIETARY FUND
DECEMBER 31, 2017

	Business-Type Activities - Enterprise Fund The Communities at Indian Haven
Assets	
Current Assets:	
Cash and cash equivalents	\$ 781,139
Resident's cash	11,269
Accounts receivable	1,465,129
Prepaid expenses and other current assets	38,703
	2,296,240
Noncurrent assets:	
Cash, funded depreciation	34,901
Net pension asset	1,083,036
Capital assets (net of accumulated depreciation)	1,181,796
Total noncurrent assets	2,299,733
Total assets	\$ 4,595,973
Deferred Outflow of Resources	
Deferred amounts from pension liability	\$ 324,364
Liabilities	
Current liabilities:	
Accounts payable	\$ 187,984
Due to primary government	389,437
Funds held in fiduciary capacity	11,269
Current portion of capital lease payable	3,776
Total current liabilities	\$ 592,466
Noncurrent liabilities:	
Capital lease payable	6,649
Total noncurrent liabilities	6,649
Total liabilities	\$ 599,115
Deferred Inflow of Resources	
Deferred amounts from pension liability	\$ 485,577
Net Position	
Net investment in capital assets	\$ 1,181,796
Restricted	34,901
Unrestricted	2,618,948
Total net position	3,835,645
Total liabilities and net position	\$ 4,920,337

The accompanying notes are an integral part of the financial statements

COUNTY OF INDIANA, PENNSYLVANIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Business-Type Activities - Enterprise Fund</u> <u>The Communities at Indian Haven</u>
Operating Revenues	
Receipts from Providing Services	\$ 8,931,068
Total Operating Revenues	<u>8,931,068</u>
Operating Expenses	
Human Services	8,263,706
Depreciation and amortization	<u>294,454</u>
Total Operating Expenses	<u>8,558,160</u>
Operating Income	372,908
Nonoperating Revenues (Expenses)	
Interest Income	<u>1,519</u>
Total Nonoperating Expenses	<u>1,519</u>
Excess of revenues under expenditures	374,427
Transfers to other funds	<u>(339,484)</u>
Total other financing uses	<u>(339,484)</u>
Change in Net Position	34,943
Net Position - Beginning of Year	<u>3,800,702</u>
Net Position - End of Year	<u>\$ 3,835,645</u>

The accompanying notes are an integral part of the financial statements

COUNTY OF INDIANA, PENNSYLVANIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	Business-Type Activities - <u>Enterprise Fund</u> <u>The Communities</u> <u>at Indian Haven</u>
Cash flows from operating activities	
Cash received from residents	\$ 8,882,564
Cash paid for goods and services	<u>(8,251,061)</u>
Net cash provided by operating activities	<u>631,503</u>
Cash flows from investing activities	
Net decrease in cash, funded depreciation	<u>1,967</u>
Net cash provided by investing activities	<u>1,967</u>
Cash flows from capital and related financing activities	
Purchase of capital assets	(125,878)
Change in accrued interest payable	(3,152)
Payments on capital lease obligation	<u>(3,776)</u>
Net cash provided by in capital and related financing activities	<u>(132,806)</u>
Cash flows from financing activities	
Interest income	1,519
Transfers to other funds	<u>(339,484)</u>
Net cash used in financing activities	<u>(337,965)</u>
Net increase in cash and cash equivalents	162,699
Beginning cash and cash equivalents	<u>618,440</u>
Ending cash and cash equivalents	<u>\$ 781,139</u>
 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 372,908
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	294,454
Increase in pension asset	(582,109)
Change in deferred (inflows) outflows related to pension liability	434,960
Increase in accounts receivable, net of allowances	(48,504)
Decrease in assets	
Prepaid expenses	35,285
Increase in liabilities	
Due to other funds	166,000
Decrease in liabilities	
Accounts payable	(4,442)
Accrued expenses	<u>(37,049)</u>
Net cash provided by operating activities	<u>\$ 631,503</u>

The accompanying notes are an integral part of the financial statements

COUNTY OF INDIANA, PENNSYLVANIA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2017

	<u>Employee Retirement Trust Fund</u>	<u>Other Agency Funds</u>	<u>Total</u>
<u>Assets</u>			
Cash and Cash Equivalents	\$ 565,293	\$ 1,343,312	\$ 1,908,605
Accounts Receivable	63,583	-	63,583
Investments	<u>49,184,418</u>	<u>105,926</u>	<u>49,290,344</u>
Total Assets	<u>\$ 49,813,294</u>	<u>\$ 1,449,238</u>	<u>\$ 51,262,532</u>
<u>Liabilities</u>			
Liabilities			
Due to other governments	\$ -	\$ 1,195,417	\$ 1,195,417
Funds Held in Fiduciary Capacity	<u>-</u>	<u>253,821</u>	<u>253,821</u>
Total Liabilities	<u>-</u>	<u>1,449,238</u>	<u>1,449,238</u>
<u>Net Position</u>			
Employees' Pension Benefits	<u>49,813,294</u>	<u>-</u>	<u>49,813,294</u>
Total Net Position	<u>\$ 49,813,294</u>	<u>\$ -</u>	<u>\$ 49,813,294</u>

COUNTY OF INDIANA, PENNSYLVANIA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
EMPLOYEE RETIREMENT TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Employee Retirement Trust Fund</u>
Additions:	
Contributions:	
Employee	\$ 903,146
County Contribution	<u>652,173</u>
	<u>1,555,319</u>
Investment Income:	
Net increase in fair value of assets	4,806,776
Interest and Dividends	<u>1,043,772</u>
Total Investment Income	5,850,548
Investment Expense	<u>(135,790)</u>
Net Investment Income	<u>5,714,758</u>
Total Additions	<u>7,270,077</u>
Employee Benefits Paid	1,964,563
Administrative Expenses	<u>71,893</u>
Total Deductions	<u>2,036,456</u>
Net Increase	5,233,621
Net Position Held In Trust For Employees' Pension Benefits:	
Beginning of Year	<u>44,579,673</u>
End of Year	<u>\$ 49,813,294</u>

COUNTY OF INDIANA, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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, Pennsylvania (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 financial statements 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 GAAP, the financial statements of the Component Units described below have been included in the financial reporting entity as discretely presented Component Units.

COUNTY OF INDIANA, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

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 on 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 organizations 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

COUNTY OF INDIANA, PENNSYLVANIA
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2017

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, 2017, is as follows:

Assets	\$ 1,492,401
Liabilities	<u>1,450,905</u>
Net Position	<u>\$ 41,496</u>
Revenues	\$ 7,542,412
Expenditures	<u>7,751,337</u>
Net Income	<u>\$ (208,925)</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.

COUNTY OF INDIANA, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

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.

COUNTY OF INDIANA, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

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 for 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. 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.

COUNTY OF INDIANA, PENNSYLVANIA
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2017

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

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

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.

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, 2017, 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

COUNTY OF INDIANA, PENNSYLVANIA
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2017

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

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

4. Capital Assets (Continued)

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 \$476,992.

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.

COUNTY OF INDIANA, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

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

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

- *Net Investment in Capital Assets* – This category groups all capital assets 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.

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.

COUNTY OF INDIANA, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

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

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

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.

11. Deferred Inflows of Resources

In addition to liabilities, the balance sheet 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. Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government only has one type of item, which arises under a modified accrual basis of accounting, that qualifies for reporting in this category. Deferred outflows of resources related to pensions are described further in Note 8. The components of deferred outflows of resources, other than the difference between the projected and actual investment earnings on investments, are amortized into pension expense over a 7.2 year closed period, which reflects the weighted average remaining service life of all members of the plan beginning the year in which the deferred amount occurs (current year). The annual difference between the projected and actual earnings on plan investments is amortized over a five-year closed period beginning the year in which the difference occurs (current year).

12. Adoption of Governmental Accounting Standards Board Statements

The Authority adopted the provisions of GASB Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans". The adoption of this statement had no effect on previously reported amounts.

COUNTY OF INDIANA, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

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

12. Adoption of Governmental Accounting Standards Board Statements
(Continued)

The County adopted the provisions of GASB Statement No. 80, "Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14". The adoption of this statement had no effect on previously reported amounts.

The County adopted the provisions of GASB Statement No. 81, "Irrevocable Split-Interest Agreements". The adoption of this statement had no effect on previously reported amounts.

The County adopted the provisions of GASB Statement No. 82, "Pension Issues an amendment of GASB Statements No. 67, No. 68, and No. 73". The adoption of this statement had no effect on previously reported amounts.

13. Pending Changes in Accounting Principles

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

In November 2017, the GASB issued Statement No. 83, "*Certain Asset Retirement Obligations*". The County is required to adopt statement No. 83 for its calendar year 2019 financial statements.

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

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

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

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

In April 2018 the GASB issued Statement No. 88, "*Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*". The County is required to adopt Statement No. 88 for is calendar year 2019 financial statements.

In June 2018 the GASB issued Statement No. 89, "*Accounting for Interest Cost Incurred before the End of Construction Period*". The County is required to adopt Statement No. 89 for its calendar year 2020 financial statements.

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

COUNTY OF INDIANA, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

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

E) Component Unit – Summary of Significant Accounting Policies

Highridge Water Authority

Basis of Accounting

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

Cash and Cash Equivalents

For purposes of the balance sheet, the Water 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 2017 amounted to \$73,985.

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 Municipal Services Authority have been prepared on the accrual basis of accounting.

Cash and Cash Equivalent

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 \$475,000.

COUNTY OF INDIANA, PENNSYLVANIA
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2017

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)

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.

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.

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 2017 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 OF INDIANA, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

NOTE 2: BUDGETARY DATA (CONTINUED)

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.
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.

COUNTY OF INDIANA, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

NOTE 3: DEPOSIT AND INVESTMENT RISK

As of December 31, 2017, the County had the following investments:

	<u>Cost</u>	<u>Market</u>
Governmental Funds		
Nonmajor Governmental Funds		
Certificates of Deposit	\$ 659,781	\$ 659,781
Total Governmental Funds	<u>659,781</u>	<u>659,781</u>
Fiduciary Funds		
Agency Funds		
Certificates of Deposit	105,926	105,926
Retirement Fund		
U.S. Government Securities	2,443,552	3,589,026
Corporate Bonds	5,267,070	3,670,861
Common Stock	3,400,286	7,996,526
International Stock	6,339,032	7,534,524
Mutual Funds	<u>21,059,977</u>	<u>26,393,481</u>
Total Fiduciary Funds	38,615,843	49,290,344
Total Investments	<u>\$ 39,275,624</u>	<u>\$ 49,950,125</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, 2017, the County's operating investments were all maintained in Certificates of Deposit.

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, 2017, the County's cash balances for its governmental activities, business-type activities and agency fund were \$19,447,178 and its bank balances were \$19,502,232. Of these bank balances, \$18,716,206 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 \$565,293 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, 2017 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. At December 31, 2017, the County is not subject to concentration of credit risk.

COUNTY OF INDIANA, PENNSYLVANIA
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2017

NOTE 3: DEPOSIT AND INVESTMENT RISK (CONTINUED)

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

At December 31, 2017, the County had the following recurring fair value measurements:

<u>Investments measured by fair value level</u>	<u>12/31/2017</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificates of Deposit	\$ 105,926	\$ 105,926		
Corporate Bonds	3,670,861	3,670,861	-	-
Common Stock	7,996,526	7,996,526	-	-
International Stock	7,534,524	7,534,524	-	-
Mutal Funds	<u>26,393,481</u>	<u>26,393,481</u>	<u>-</u>	<u>-</u>
Total investments by fair value level	<u>\$ 49,290,344</u>	<u>\$ 49,290,344</u>	<u>\$ -</u>	<u>\$ -</u>

Component Unit

Indiana County Municipal Services Authority

At December 31, 2017, the carrying amount of the Authority's cash deposits was \$253,196 and the bank balance was \$733,002. Of the bank balance, \$3,196 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.

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 2017 the County had total millage of 4.445, of which 1.0 mill was reserved for principal and interest on debt, and 3.445 mills for general county purposes.

COUNTY OF INDIANA, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

NOTE 4: PROPERTY TAXES (CONTINUED)

Real Estate Property Taxes (Continued)

The County's 2017 real estate taxes are based on assessed values established by the County's Bureau of Assessments. The County had a complete reassessment from 2015 to 2017 with assessed valuation of \$4,860,733,387 in 2016 to \$4,816,207,788 in 2017. The County was able to lower the millage rate from 37.40 to 4.445 mills. Assessed values of real property are generally 100% of the market value as determined by the Indiana County Tax Assessment Office. The total 2017 real estate taxes levied was \$21,408,044 based on a total County assessed valuation of \$4,816,207,788. Based on the 2017 levy of 4.445 mills, a property owner would pay \$4.445 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 \$1,157,815 as of December 31, 2017. 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.

The County has loans with three other entities within the County, the Indiana County Airport Authority, the Indiana County Community Action Program (ICCAP), and the Kovalchick Convention and Athletic Complex.

In addition to the loans the County has an installment sale agreement 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.

COUNTY OF INDIANA, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

NOTE 5: LOANS RECEIVABLE (CONTINUED)

A summary of the long-term General Fund receivables is shown below:

	<u>Balance at 12/31/2016</u>	<u>Payments Received from Others</u>	<u>Amounts Loaned to Others</u>	<u>Discounts</u>	<u>Balance at 12/31/2017</u>
Commerce Center I installment sale	\$ 1,119,496	\$ 1,086,688	\$ -	\$ 32,808	\$ -
Airport Authority Promissary Note (LOC)	600,000	600,000	-	-	-
KCAC Project	473,919			-	473,919
Indian Springs Road Project Loan	22,994	22,994	-	-	-
Corporate Campus Multi- Tenant Building Loan	1,245,393	209,835	-	-	1,035,558
Indian Springs Multi- Tenant Building Loan	<u>6,266,181</u>	<u>254,613</u>	<u>-</u>	<u>-</u>	<u>6,011,568</u>
Total	<u>\$ 9,727,983</u>	<u>\$ 2,174,130</u>	<u>\$ -</u>	<u>\$ 32,808</u>	<u>\$ 7,521,045</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, 2017. As of December 31, 2017, ICDC had paid \$1,250,000 to the County. The total unamortized discount is \$0 at December 31, 2017. The discount will be amortized over the term of the agreement. Current year amortization of \$32,808 has been recognized as interest income in the statement of activities with a net balance of \$0 from ICDC at December 31, 2017.

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, 2017 the airport authority has paid the \$600,000 loan in full.

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

COUNTY OF INDIANA, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

NOTE 6: CAPITAL ASSETS

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

GOVERNMENTAL ACTIVITIES	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated:				
Land	\$ 2,085,470	\$ -	\$ -	\$ 2,085,470
Construction in Progress	<u>464,714</u>	<u>867,800</u>	<u>(464,714)</u>	<u>867,800</u>
Total Capital Assets, Not Being Depreciated	<u>2,550,184</u>	<u>867,800</u>	<u>(464,714)</u>	<u>2,953,270</u>
Capital Assets, Being Depreciated:				
Building and Improvements	63,242,940	415,519	-	63,658,459
Equipment and Vehicles	28,983,953	634,985	(194,544)	29,424,394
Infrastructure	<u>18,266,353</u>	<u>-</u>	<u>-</u>	<u>18,266,353</u>
Total Capital Assets, Being Depreciated	<u>110,493,246</u>	<u>1,050,504</u>	<u>(194,544)</u>	<u>111,349,206</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	(20,900,064)	(1,959,005)	-	(22,859,069)
Equipment and Vehicles	(12,678,167)	(2,493,744)	179,537	(14,992,374)
Infrastructure	<u>(6,327,837)</u>	<u>(104,518)</u>	<u>-</u>	<u>(6,432,355)</u>
Total Accumulated Depreciation	<u>(39,906,068)</u>	<u>(4,557,267)</u>	<u>179,537</u>	<u>(44,283,798)</u>
Total Capital Assets, Being Depreciated, Net	<u>70,587,178</u>	<u>(3,506,763)</u>	<u>(15,007)</u>	<u>67,065,408</u>
Governmental Activities Capital Assets, Net	<u>\$ 73,137,362</u>	<u>\$ (2,638,963)</u>	<u>\$ (479,721)</u>	<u>\$ 70,018,678</u>
BUSINESS-TYPE ACTIVITIES	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Being Depreciated:				
Building and Improvements	\$ 4,445,442	\$ 77,047	\$ -	\$ 4,522,489
Equipment and Vehicles	3,811,337	48,831	-	3,860,168
Capital Interest	<u>165,318</u>	<u>-</u>	<u>-</u>	<u>165,318</u>
Total Capital Assets, Being Depreciated	<u>8,422,097</u>	<u>125,878</u>	<u>-</u>	<u>8,547,975</u>
Less Accumulated Depreciation	(7,071,724)	(294,455)	-	(7,366,179)
Total Capital Assets, Being Depreciated, Net	<u>1,350,373</u>	<u>(168,577)</u>	<u>-</u>	<u>1,181,796</u>
Business-Type Activities Capital Assets, Net	<u>\$ 1,350,373</u>	<u>\$ (168,577)</u>	<u>\$ -</u>	<u>\$ 1,181,796</u>

COUNTY OF INDIANA, PENNSYLVANIA
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2017

NOTE 6: CAPITAL ASSETS (CONTINUED)

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

Governmental Activities:	
General Government-Administrative	\$ 208,482
General Government-Judicial	119,285
Public Safety	2,852,224
Public Works	1,145,998
Human Services	45,786
Culture and Recreation	184,933
Conservation and Development	<u>559</u>
Total Depreciation Expense-Governmental Activities	<u>\$4,557,267</u>
Business-Type Activities:	
Human Services	<u>\$ 294,455</u>
Total Depreciation Expense-Business-Type Activities	<u>\$ 294,455</u>

Component Unit – Capital AssetsHighridge Water Authority

Capital assets and accumulated depreciation as of December 31, 2017 is as follows:

Highridge Water Authority	
Buildings	\$ 40,076,710
Land and improvements	<u>11,388,572</u>
Total	51,465,282
Less accumulated depreciation	<u>21,385,146</u>
Capital Assets, net	<u>\$ 30,080,136</u>

COUNTY OF INDIANA, PENNSYLVANIA
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2017

NOTE 6: CAPITAL ASSETS (CONTINUED)

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

Capital assets and accumulated depreciation as of December 31, 2017 is as follows:

Indiana County Municipal Services Authority

Fixed equipment	\$ 120,188,434
Moveable equipment	940,558
Vehicles	641,901
Construction in progress	<u>9,352,625</u>

Total	131,123,518
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Less accumulated depreciation	<u>43,744,011</u>
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Capital Assets, net	<u>\$ 87,379,507</u>
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NOTE 7: RESTRICTED ASSETS

Business Type Activities

The County has restricted cash of \$34,901 in the business type activities which is restricted for capital purchases and repairs to existing capital assets.

The County also has restricted cash of \$11,269 that is owed to residents of the nursing home.

Component Unit – Designated AssetsIndiana County Municipal Services Authority

Restricted Assets at December 31, 2017 are as follows:

Debt Service Fund	\$ 566,243
Debt Service Reserve and Repair Fund	387,516
Construction Fund	<u>3,493</u>
Total	<u>\$ 957,252</u>

NOTE 8: EMPLOYEE RETIREMENT TRUST FUND

The Indiana County Employee's Retirement System (the "Plan") is a single-employer defined benefit pension plan that covers all full time employees of the County. The Plan provides retirement, disability and death benefits to Plan members and their beneficiaries. The Plan is part of the County's financial reporting entity and is included in the County's financial statements as a Pension Trust Fund.

COUNTY OF INDIANA, PENNSYLVANIA
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2017

NOTE 8: EMPLOYEE RETIREMENT TRUST FUND (CONTINUED)

Summary of Significant Accounting Policies

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

Description of Plan

Plan Administration. The Retirement Board administers the Plan. The Plan is governed by the 1971 County Pension Law, Act 96, of the General Assembly of the Commonwealth of Pennsylvania, as amended (the "Act"). Benefit and contribution provisions of the Plan are established and can be amended as provided by the Act. Cost of living adjustments are provided at the discretion of the County Retirement Board.

Management of the Plan is vested in the Board, which consists of five members - three elected County Commissioners, the treasurer, and the chief clerk.

Plan membership. For the 2017 measurement period, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	209
Inactive plan members entitled to but not yet receiving benefits	40
Active plan members	<u>458</u>
	<u>707</u>

Benefits provided. The 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 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.

Contributions. The Retirement Board establishes contribution rates based on an actuarially determined contribution recommended by an independent 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 any unfunded accrued liability. For the year ended December 31, 2017, the minimum required active member contribution rate was 5 percent of annual pay and the County's average contribution rate was 3.8 percent of annual payroll.

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

COUNTY OF INDIANA, PENNSYLVANIA
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2017

NOTE 8: EMPLOYEE RETIREMENT TRUST FUND (CONTINUED)

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 Act makes no provision for termination of the Plan. The County does not issue a separate financial report for the Plan.

Legally Required Reserves

At December 31, 2017, the County has a balance of \$11,574,037 in the Members' Annuity Reserve Account. This account is the total of the contributions deducted from the salaries of the active and terminated vested members of the retirement system and the IRC 414(h)(2) pickup contributions together with the interest additions as of December 31, 2017. Since these accumulations represent the present value as of December 31, 2017 of future benefits, the reserve balance and liability are identical.

The County has a balance of \$12,322,410 in the County Annuity Reserve Account as of December 31, 2017. This balance and the amounts expected to be credited in the future, plus investment earnings, represent the reserves set aside for the payment of the County's share of the retirement allowances and this reserve is fully funded.

This is the account out of which regular interest is credited to the member's annuity and retired members' reserve account, administrative expenses may be paid and the pension obligations of the County are funded.

When a County annuity is scheduled to commence for a particular member, sufficient monies are transferred from the County annuity reserve account to the retired members' reserve account to provide for such County annuities actually entered into.

The Retired Members' Reserve Account is the account out of which monthly retirement allowances, including cost-of-living adjustments and death benefits are paid. The balance in this account was \$15,582,383 as of December 31, 2017. The corresponding liability for those annuitants on the roll is identical.

Plan Reporting

Net Pension Liability of the County

The total pension liability was based on an actuarial valuation dated January 1, 2017 and update procedures were used to rollforward the total pension liability to the December 31, 2017 measurement date. The components of the net pension liability of the County for the 2017 measurement period were as follows:

Total Pension Liability	\$ 44,799,238
Plan Fiduciary Net Position	<u>49,813,295</u>
Net Position Liability	<u><u>\$ (5,014,057)</u></u>

Plan Fiduciary net position as a percentage of the total pension liability	111.19%
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COUNTY OF INDIANA, PENNSYLVANIA
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2017

NOTE 8: EMPLOYEE RETIREMENT TRUST FUND (CONTINUED)

The net pension liability breakdown for governmental activities and business type activities was as follows:

	Governmental <u>Activities</u>	Business Type <u>Activities</u>
Net Pension Liability	\$ (3,931,021)	\$ (1,083,036)

Changes in the County's net pension liability for the plan for the year ended December 31, 2017 were as follows:

	<u>Increase/(Decrease)</u>		
	Total Pension Liability <u>(a)</u>	Pan Fiduciary Net Position <u>(b)</u>	Net Pension Liability <u>(a) - (b)</u>
Balances at 12/31/2016	\$ 42,206,734	\$ 44,579,673	\$ (2,372,939)
Service Cost	1,519,127	-	1,519,127
Interest Cost	3,163,224	-	3,163,224
Changes in Benefit Terms	-	-	-
Changes for Experience	(125,284)	-	(125,284)
Changes of Assumptions	-	-	-
Contributions - Employer	-	652,173	(652,173)
Contributions - Member	-	903,146	(903,146)
Net Investment Income	-	5,714,759	(5,714,759)
Benefit Payments, including Refunds of Member Contributions	(1,964,563)	(1,964,563)	-
Administrative Expenses	-	(71,893)	71,893
Net Changes	<u>\$ 2,592,504</u>	<u>\$ 5,233,622</u>	<u>\$ (2,641,118)</u>
Balances at 12/31/2017	<u>\$ 44,799,238</u>	<u>\$ 49,813,295</u>	<u>\$ (5,014,057)</u>

Deferred (Inflows) Outflows of Resources

The total pension expense recognized in 2017 for the plan was \$746,358. At December 31, 2017, the County reported deferred outflows of resources related to the pension plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ -	\$ (336,843)
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	1,501,685	(1,911,200)
Total	<u>\$ 1,501,685</u>	<u>\$ (2,248,043)</u>

COUNTY OF INDIANA, PENNSYLVANIA
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2017

NOTE 8: EMPLOYEE RETIREMENT TRUST FUND (CONTINUED)

The deferred inflows of resources will be recognized in pension expense as follows:

Year ended December 31:	Governmental Activities	Business Type Activities
2018	\$ 167,386	\$ 46,116
2019	167,386	46,117
2020	(472,621)	(130,212)
2021-2025	(447,296)	(123,234)
	<u>\$ (585,145)</u>	<u>\$ (161,213)</u>

The schedule of changes in the net pension liability and related ratios, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about the Plan.

Plan Actuarial Methods and Assumptions

Actuarial assumptions. The total pension liability was determined by an actuarial valuation for the 2017 measurement period, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.5 percent, average, including inflation
Investment rate of return	7.5 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the valuation for the 2017 measurement period were based on past experience under the Plan and reasonable future expectations which represent our best estimate of anticipated experience under the Plan. An actuarial experience study was performed in 2016; however, no modifications to assumptions were made as a result.

Under the Act, cost-of-living adjustments to each member's retirement allowance shall be reviewed at least once every three years subsequent to the member's retirement date. The adjustment, should the Plan elect to give one, is a percentage of the change in the Consumer

Price Index. The Plan did not include an assumption for projected ad hoc postemployment benefit changes as they are not considered to be substantively automatic.

Investment policy. The 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.

COUNTY OF INDIANA, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

NOTE 8: EMPLOYEE RETIREMENT TRUST FUND (CONTINUED)

Plan Actuarial Methods and Assumptions (Continued)

The following was the Board's asset allocation policy for the 2017 measurement period:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity	40%
International equity	10%
Fixed income	42.5%
Real Estate/Alternative	7.5%
Cash	<u>0%</u>
Total	<u>100%</u>

The long-term expected rate of return on 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 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 Plan's target asset allocation for the 2017 measurement period (see the discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	5.4-6.4%
International equity	5.5-6.5
Fixed income	1.3-3.3
Real Estate/Alternative	4.5-5.5
Cash	0.0-1.0

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 in accordance with the County's recently adopted funding policy. Based on those assumptions, the 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 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 <u>(6.5%)</u>	Current Discount Rate (7.5%)	1% Increase <u>(8.5%)</u>
County's net pension liability	\$(81,197)	\$(5,014,057)	\$(9,038,587)

COUNTY OF INDIANA, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

NOTE 8: EMPLOYEE RETIREMENT TRUST FUND (CONTINUED)

Plan Actuarial Methods and Assumptions (Continued)

Rate of return. For the 2017 measurement period, the annual money-weighted rate of return on Plan investments, net of Plan investment expense, was 13.01 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Component Unit – Retirement Plan

Highridge Water Authority

The Water 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 2017 amounted to \$32,885.

Indiana County Municipal Services Authority

The Municipal Services 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 \$70,000.

NOTE 9: LINE OF CREDIT

Component Unit – Line of Credit

Indiana County Municipal Services Authority

The Municipal Services Authority has available a \$250,000 unsecured line of credit with First Commonwealth Bank, which is due on demand, with interest at 75% of the prime rate (3.38% at December 31, 2017). Borrowings were \$200,812 at December 31, 2017.

COUNTY OF INDIANA, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

NOTE 10: LONG-TERM OBLIGATIONS

A summary of changes in long-term debt obligations for 2017 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	\$ 52,360,344	\$ 9,116,639	\$ (13,452,312)	\$ 48,024,671	\$ 3,559,481
Total Bonds and Notes Payable	<u>52,360,344</u>	<u>9,116,639</u>	<u>(13,452,312)</u>	<u>48,024,671</u>	<u>3,559,481</u>
Other Liabilities:					
Capital Lease Obligations	76,287	904,870	(807,154)	174,003	78,160
Compensated Absences	769,301	6,418	-	775,719	-
Total Other Liabilities	<u>845,588</u>	<u>911,288</u>	<u>(807,154)</u>	<u>949,722</u>	<u>78,160</u>
Governmental Activities Long-Term Liabilities	<u>53,205,932</u>	<u>10,027,927</u>	<u>(14,259,466)</u>	<u>48,974,393</u>	<u>3,637,641</u>
<u>Business-Type Activities</u>					
Capital Lease Obligations	\$ 14,201	\$ -	\$ (3,776)	\$ 10,425	\$ 3,776
Business-Type Activities Long-Term Liabilities	<u>\$ 14,201</u>	<u>\$ -</u>	<u>\$ (3,776)</u>	<u>\$ 10,425</u>	<u>\$ 3,776</u>
Total	<u>\$ 53,220,133</u>	<u>\$ 10,027,927</u>	<u>\$ (14,263,242)</u>	<u>\$ 48,984,818</u>	<u>\$ 3,641,417</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):

Governmental Activities

Year Ended December 31	Principal Requirements	Interest Requirements	Total Debt Service Requirements
2018	\$ 3,559,481	\$ 1,469,688	\$ 5,029,169
2019	3,623,840	1,432,578	5,056,418
2020	3,737,257	1,304,389	5,041,646
2021	3,842,577	1,166,554	5,009,131
2022	3,881,657	1,034,910	4,916,567
2023-2027	18,940,133	3,870,449	22,810,582
2028-2033	<u>10,439,726</u>	<u>986,963</u>	<u>11,426,689</u>
Total	<u>\$ 48,024,671</u>	<u>\$ 11,265,531</u>	<u>\$ 59,290,202</u>

COUNTY OF INDIANA, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

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, 2017
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%. This note was loaned to ICDC under the same terms.	\$ 1,035,558
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. This note was loaned to ICDC under the same terms.	\$ 6,011,568
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.	\$ 2,994,126
Series C of 2015	\$ 9,900,000	To refinance and consolidate existing outstanding debt. The note has an interest rate of 1.90% with a final maturity in July of 2027.	\$ 8,929,502
Series D of 2015	\$ 7,890,000	To refinance and consolidate existing outstanding debt. The note has an interest rate of 1.90% with a final maturity in December of 2028.	\$ 7,138,354
Series E of 2015	\$ 2,100,000	To fund capital projects within the County. The note has an interest rate of 1.90% with a final maturity in March of 2028.	\$ 1,963,085
Series F of 2015	\$ 4,400,000	To refinance and consolidate existing outstanding debt. The note has an interest rate of 1.90% with a final maturity in December of 2026.	\$ 4,108,086
Series G of 2015	\$ 5,595,000	To refinance and consolidate existing outstanding debt. The note has an interest rate of 1.90% with a final maturity in December of 2030.	\$ 5,302,932
Series H of 2015	\$ 3,800,000	To refinance and consolidate existing outstanding debt. The note has an interest rate of 2.50% with a final maturity in December of 2021.	\$ 1,424,821
Series A of 2017	\$ 9,116,639	To refinance and consolidate existing outstanding debt. The note has an interest rate of 2.40% with a final maturity in December of 2032.	\$ 9,116,639
			\$ 48,024,671

COUNTY OF INDIANA, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

NOTE 10: LONG-TERM OBLIGATIONS (CONTINUED)

Governmental Activities (Continued)

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, 2017 and present value of capital lease obligations were:

<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
\$ 76,287	\$ 904,870	\$ (807,154)	\$ 174,003	\$ 78,160

<u>Year ended December 31</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>
2018	\$ 82,726	\$ 3,776
2019	53,540	3,776
2020	31,171	2,873
2021	14,725	-
Total Minimum Lease Payments	182,162	10,425
Less Amount Representing Interest	8,159	-
Present Value of Net Minimum Lease Payments	174,003	10,425
Less: Amount Due Within One Year	78,160	3,776
Non-Current Portion	<u>\$ 95,843</u>	<u>\$ 6,649</u>

COUNTY OF INDIANA, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

NOTE 10: LONG-TERM OBLIGATIONS (CONTINUED)

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. This schedule summarizes the activity on this debt for 2017.

Highridge Water Authority

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

	Balance as of December 31, 2016	Additions	Reductions	Balance as of December 31, 2017
Debt Guaranteed by Indiana County:				
Water Revenue Bonds, Series of 2012	\$ 4,280,000	\$ -	\$ (335,000)	\$ 3,945,000
PennVest Loan	2,038,309	-	(254,220)	1,784,089
Other Long-Term Debt:				
PennVest Loan	3,688,421	-	(217,499)	3,470,922
PennVest Loan	277,770	-	(35,631)	242,139
PennVest Loan	196,996	-	(86,891)	110,105
PennVest Loan	438,762	-	(24,321)	414,441
PennVest Loan	1,700,045	-	(92,700)	1,607,345
Line of Credit	419,026	-	(128,040)	290,986
Total Long-Term Debt	<u>\$ 13,039,329</u>	<u>\$ -</u>	<u>\$(1,174,302)</u>	<u>\$ 11,865,027</u>

<u>Year Ended December 31</u>	<u>Principal Payments</u>
2018	\$ 1,193,023
2019	1,216,313
2020	1,122,633
2021	1,020,293
2022	<u>7,312,765</u>
Total	<u>\$ 11,865,027</u>

COUNTY OF INDIANA, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

NOTE 10: LONG-TERM OBLIGATIONS (CONTINUED)

Component Units (Continued)Indiana County Municipal Services Authority (Continued)

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

	Balance as of 2017
Debt Guaranteed by Indiana County:	
Iselin Sewage Project	\$ 35,371
Sewage Renovation I	4,436,169
Sewage Renovation III	1,486,718
Sewage Renovation IV - Cherry Tree	467,319
Sewage Renovation VI	938,571
Crooked Creek Water Project	8,865,978
Cherry Tree Water System Project	663,425
Other Long-Term Debt:	
WR XV Interim Financing	
WR XVI Interim Financing	
WR XVIII Interim Financing	377,203
WR XIX Interim Financing	967,035
Water Bond Refinance I & II	947,081
Water Bond VII	
Water Bond VIII	
Heilwood Water Bond	116,446
PennVest Water Bond XV	919,798
PennVest Water Bond XVI	1,956,019
West Lebanon Reservoir Bond	37,140
Water Bond XIV Interim Financing	-
Water Bond XI	2,561,202
Water Bond XII	5,730,080
Water Bond XIII	3,555,417
Water Bond XVIII	3,722,026
Parkwood Interim Financing	-
Water Bond XIII Interim Financing	-
Pine Grove Sewer Bonds	8,395,000
Sewage Renovation III Refinance	461,936
Sewage Renovation V	327,945
Sewage Renovation X	2,076,421
Sewage Renovation IX - Alverda	1,012,320
Total	<u>\$ 50,056,620</u>

<u>Year Ended December 31</u>	<u>Principal Payments</u>
2018	\$ 3,643,042
2019-2023	12,549,919
2024-2028	11,936,759
2029-2033	11,970,193
2034-2038	7,251,714
Thereafter	<u>2,704,993</u>
Total	<u>\$ 50,056,620</u>

COUNTY OF INDIANA, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

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, 2017. 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, 2017 the outstanding principal amount of the guarantee is \$663,425.

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, 2017 the outstanding principal amount of the guarantee is \$8,865,978.

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, 2017 the outstanding principal amount of the guarantee is \$4,436,169.

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, 2017 the outstanding principal amount of the guarantee is \$35,371.

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, 2017 the outstanding principal amount of the guarantee is \$1,486,718.

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, 2017 the outstanding principal amount of the guarantee is \$467,319.

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, 2017. 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, 2017 the outstanding principal amount of the guarantee is \$3,945,000.

In 1994, the County guaranteed Highridge Water Authority \$6,715,890 PennVest Installment Note. This note matures in September 2024. As of December 31, 2017 the outstanding principal amount of the guarantee is \$1,784,089.

COUNTY OF INDIANA, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

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, 2017, are as follows:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
<u>Governmental Fund Types</u>		
General Fund	\$ 1,417,806	\$ -
Revolving Loan Fund	-	-
Other Governmental Fund Type	<u>45,711</u>	<u>1,074,080</u>
Total Governmental Fund Types	<u>1,463,517</u>	<u>1,074,080</u>
<u>Proprietary Fund</u>		
Communities at Indian Haven	<u>-</u>	<u>389,437</u>
Total Proprietary Fund Type	<u>-</u>	<u>389,437</u>
 Total Interfund Balances	 <u>\$ 1,463,517</u>	 <u>\$ 1,463,517</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.

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	\$ 408,329	\$ 474,632
Community Program for Restoration	-	-
Other Governmental Funds	<u>488,730</u>	<u>82,943</u>
Total Governmental Fund Type	<u>897,059</u>	<u>557,575</u>
<u>Proprietary Fund</u>		
Communities at Indian Haven	<u>-</u>	<u>339,484</u>
Total Proprietary Fund Type	<u>-</u>	<u>339,484</u>
 Total Interfund Transfers	 <u>\$ 897,059</u>	 <u>\$ 897,059</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:

COUNTY OF INDIANA, PENNSYLVANIA
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2017

NOTE 14: NET PATIENT SERVICE REVENUE (CONTINUED)

The Communities at Indian Haven, Inc. (Continued)

- 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.

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:

<u>Fund:</u>	<u>Fund Balance:</u>	<u>Balances</u>
Major Funds		
General Fund	<u>Non-Spendable:</u>	
	These amounts were charged to inventories	\$ 4,963
	These amounts are other assets	<u>1,007,103</u>
		1,012,066
	<u>Restricted Funds:</u>	
	These funds are restricted for Coroner Act 122	10,610
	These funds are restricted for Sheriff PFA Act 66	1,885
	These funds are restricted for Victim Services	36,026
	These funds are restricted for Act 13 Shale Impact	495,280
	These funds are restricted for Act 13 Highway Bridge	529,132
	These funds are restricted for Act 13 Greenways Rehab	121,132
	These funds are restricted for Airport Construction	<u>24,800</u>
		1,218,865

COUNTY OF INDIANA, PENNSYLVANIA
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2017

NOTE 15: FUND BALANCES (CONTINUED)

	<u>Assigned Funds:</u>	
	These funds are assigned for CYS Special Account	62
	These funds are assigned for Suicide Task Force	10,418
	These funds are assigned for XTO Gas Lease	106,600
	These funds are assigned for Blue Spruce Park	148,431
	These funds are assigned for EMA Capital Improvements	905,083
	These funds are assigned for Parks	800,000
	These funds are assigned for IH Excess Transfer	135,401
	These funds are assigned for Elections Machine	2,000,000
	These funds are assigned for Assess Appeals	53,460
	These funds are assigned for Penn State Ext.	8,972
	These funds are assigned for Future Debt Services	4,464,921
	These funds are assigned for Jail Cooling Tower	500,000
	These funds are assigned for Capital Projects	<u>2,220,793</u>
		11,354,141
Community Program for Restoration	<u>Restricted Funds:</u>	
	These funds are restricted for the Community Program Restoration.	341,423
Revolving Loan	<u>Restricted Funds:</u>	
	These funds are restricted for the Revolving Loan Program.	1,100,624
Non-Major Governmental Funds		
Special Revenue Funds	<u>Non-Spendable:</u>	
	These amounts are prepaid expenses.	14,942
	<u>Restricted Funds:</u>	
	These funds are restricted within the departments of the General Government.	998,524
	These funds are restricted within the Judicial System.	56,679
	These funds are restricted within the Public Safety programs.	174,270
	These funds are restricted within the Human Service programs.	632,652
	These funds are restricted within the Public Works programs.	1,167,994
	These funds are restricted within the Culture and Recreation programs.	15,693
	These funds are restricted within the Conservation and Development programs.	<u>784,752</u>
		\$3,830,564

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, 2017, the County paid insurance premiums of \$231,429 to the Trust.

**REQUIRED
SUPPLEMENTAL
INFORMATION**

COUNTY OF INDIANA, PENNSYLVANIA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues				
Taxes, Real estate	\$ 21,182,179	\$ 21,182,179	\$ 21,807,017	\$ 624,838
Intergovernmental grants	8,029,039	8,029,039	7,444,870	(584,169)
Charges for services	449,591	449,591	500,684	51,093
Departmental charges	6,786,845	6,786,845	7,572,963	786,118
Interest income	29,472	29,472	348,166	318,694
Other revenue	1,335,049	1,335,049	415,246	(919,803)
Total Revenues	<u>37,812,175</u>	<u>37,812,175</u>	<u>38,088,946</u>	<u>276,771</u>
Expenditures				
Current operating:				
General government	6,069,905	6,069,905	5,627,170	442,735
Judicial	6,744,260	6,744,260	5,517,153	1,227,107
Public safety	13,846,964	13,846,964	13,597,641	249,323
Public works	296,183	296,183	256,104	40,079
Human services	8,460,666	8,460,666	8,064,092	396,574
Culture and recreation	707,037	707,037	850,110	(143,073)
Conservation and development	172,476	172,476	232,765	(60,289)
Miscellaneous	41,787	41,787	-	41,787
Debt service	<u>4,743,228</u>	<u>4,743,228</u>	<u>4,739,269</u>	<u>3,959</u>
Total Expenditures	<u>41,082,506</u>	<u>41,082,506</u>	<u>38,884,304</u>	<u>2,198,202</u>
Excess (deficiency) of revenues over expenditures				
	<u>(3,270,331)</u>	<u>(3,270,331)</u>	<u>(795,358)</u>	<u>2,474,973</u>
Other financing sources (uses)				
Proceeds from long term debt	-	-	904,870	904,870
Proceeds from disposal of fixed assets	-	-	50,072	50,072
Amounts loaned to others	-	-	-	-
Amounts received from loans	-	-	2,174,129	2,174,129
Transfers in	132,000	132,000	408,329	276,329
Amounts loan to others	-	-	-	-
Transfers out	<u>(63,000)</u>	<u>(63,000)</u>	<u>(474,632)</u>	<u>(411,632)</u>
Total other financing sources (uses)	<u>69,000</u>	<u>69,000</u>	<u>3,062,768</u>	<u>2,993,768</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses				
	<u>\$ (3,201,331)</u>	<u>\$ (3,201,331)</u>	<u>\$ 2,267,410</u>	<u>\$ 5,468,741</u>

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

	<u>2016</u>	<u>2017</u>
Total pension liability		
Service Cost	\$ 1,505,842	\$ 1,519,127
Interest	2,983,894	3,163,224
Differences between expected and actual experience	(164,293)	(125,284)
Benefits payments, including refunds of member contributions	<u>(1,991,410)</u>	<u>(1,964,563)</u>
Net change in total pension liability	2,334,033	2,592,504
Total pension liability - beginning	<u>39,872,701</u>	<u>42,206,734</u>
Total pension liability - ending (a)	<u>\$42,206,734</u>	<u>\$ 44,799,238</u>
Plan fiduciary net position		
Contributions - employer	\$ 500,000	\$ 652,173
Contributions - employee	886,553	903,146
Net investment income	3,336,471	5,714,759
Benefit payments, including refunds of employee contributions	(1,991,410)	(1,964,563)
Administrative expense	<u>(48,112)</u>	<u>(71,893)</u>
Net change in plan fiduciary position	2,683,502	5,233,622
Plan fiduciary net position - beginning	<u>41,896,171</u>	<u>44,579,673</u>
Plan fiduciary net position - ending (b)	<u>\$44,579,673</u>	<u>\$ 49,813,295</u>
County's net pension liability - ending (a) - (b)	<u>\$ 2,372,939</u>	<u>\$ 5,014,057</u>
Plan fiduciary net position as a percentage of the total pension liability	105.62%	111.19%
Covered - employee payroll	\$16,789,363	\$ 17,153,570
County net pension liability as a percentage of covered - employee payroll	14.13%	29.23%

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, PENNSYLVANIA
 REQUIRED SUPPLEMENTAL INFORMATION
 SCHEDULE OF EMPLOYER CONTRIBUTIONS - LAST 10 YEARS

	<u>2016</u>	<u>2017</u>
Actuarially determined contribution	\$ 682,497	\$ 652,173
Contributions in relation to the actuarially determined contribution	<u>500,000</u>	<u>652,173</u>
Contribution deficiency (excess)	<u>\$ 182,497</u>	<u>\$ -</u>
Covered - employee payroll	16,789,363	17,153,570
Contributions as a percentage of covered - employee payroll	2.98%	3.80%

Notes to Schedule

Valuation date: January 1, 2016 January 1, 2017

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

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

COUNTY OF INDIANA, PENNSYLVANIA
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF INVESTMENT RETURNS

	<u>2016</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	8.26%	13.01%

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.

**OTHER
SUPPLEMENTAL
INFORMATION**

COUNTY OF INDIANA, PENNSYLVANIA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2017

	<u>Capital Improvements Fund</u>	<u>Nonmajor Special Revenue Funds</u>	<u>Total Nonmajor Governmental Funds</u>
<hr/> <u>Assets</u> <hr/>			
Cash and cash equivalents	\$ 13,919	\$ 4,309,837	\$ 4,323,756
Investments	85,732	566,462	652,194
Receivables:			
Other governmental grants	-	4,776,651	4,776,651
Other	-	468,183	468,183
Loans	-	1,157,815	1,157,815
Due from other funds	-	45,711	45,711
Prepaid expenses	-	14,942	14,942
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 99,651</u>	<u>\$ 11,339,601</u>	<u>\$ 11,439,252</u>
<hr/> <u>Liabilities</u> <hr/>			
Accounts payable	-	5,296,521	5,296,521
Accrued Liabilities	-	26,905	26,905
Due to other governments	-	38,425	38,425
Due to other funds	-	1,074,080	1,074,080
Unearned loans receivable	-	1,157,815	1,157,815
	<hr/>	<hr/>	<hr/>
Total liabilities	<u>-</u>	<u>7,593,746</u>	<u>7,593,746</u>
Unearned loans receivable			
Fund Balance	<hr/>		
Fund balance:			
Nonspendable	-	14,942	14,942
Restricted	99,651	3,730,913	3,830,564
	<hr/>	<hr/>	<hr/>
Total fund balance	<u>99,651</u>	<u>3,745,855</u>	<u>3,845,506</u>
Total liabilities and fund balance	<u>\$ 99,651</u>	<u>\$ 11,339,601</u>	<u>\$ 11,439,252</u>

COUNTY OF INDIANA, PENNSYLVANIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2017

	Capital Improvements Fund	Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
Revenues			
Taxes, Hotel	\$ -	\$ 526,469	\$ 526,469
Intergovernmental revenue	-	10,997,768	10,997,768
Charges for services	-	548,160	548,160
Interest income	135	4,687	4,822
Other revenue	-	4,098	4,098
Total Revenues	135	12,081,182	12,081,317
Expenditures			
Current operating:			
General government	27,400	91,195	118,595
Judicial	-	1,751,296	1,751,296
Public safety	-	4,250,897	4,250,897
Public works	-	1,196,198	1,196,198
Human services	-	1,660,515	1,660,515
Culture and recreation	-	709,153	709,153
Conservation and development	-	4,408,469	4,408,469
Debt service			
Principal	-	618,953	618,953
Total Expenditures	27,400	14,686,676	14,714,076
Excess (deficiency) of revenues over expenditures	(27,265)	(2,605,494)	(2,632,759)
Other financing sources (uses)			
Amounts loaned to others	-	(486,112)	(486,112)
Amounts received from loans	-	16,403	16,403
Transfers in	17,113	471,617	488,730
Transfers out	-	(82,942)	(82,942)
Total other financing sources (uses)	17,113	(81,034)	(63,921)
Net change in fund balance	(10,152)	(2,686,528)	(2,696,680)
Fund balance, beginning of year	109,803	6,432,383	6,542,186
Fund balance, end of year	\$ 99,651	\$ 3,745,855	\$ 3,845,506

COUNTY OF INDIANA, PENNSYLVANIA
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 DECEMBER 31, 2017

	Human Services Development	MATP	Airport Construction	Children's Advisory Commission	Working Wardrobe	Enhanced 911	Hazardous Materials	911 Wireless
<hr/> Assets <hr/>								
Cash and cash equivalents	\$ 21,323	\$ 445,033	\$ 89,827	\$ 3,460	\$ -	\$ 152,219	\$ 17,420	\$ -
Investments	-	-	-	-	-	-	-	-
Receivables:								
Other governmental grants	-	-	196,808	-	-	748,642	38,159	-
Other	-	-	-	-	-	-	15,325	-
Loans	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-
Prepaid expenses	175	172	-	-	-	-	13,747	-
Total assets	<u>\$ 21,498</u>	<u>\$ 445,205</u>	<u>\$ 286,635</u>	<u>\$ 3,460</u>	<u>\$ -</u>	<u>\$ 900,861</u>	<u>\$ 84,651</u>	<u>\$ -</u>
<hr/> Liabilities <hr/>								
Accounts payable	\$ 4,474	\$ 278,154	\$ 111,018	\$ 67	\$ -	\$ 708,558	\$ 2,987	\$ -
Accrued liabilities	-	-	-	-	-	-	-	-
Due to other governments	-	-	-	-	-	-	-	-
Due to other funds	-	-	90,622	-	-	-	40	-
Unearned loans receivable	-	-	-	-	-	-	-	-
Total liabilities	<u>4,474</u>	<u>278,154</u>	<u>201,640</u>	<u>67</u>	<u>-</u>	<u>708,558</u>	<u>3,027</u>	<u>-</u>
<hr/> Fund Balance <hr/>								
Fund balance:								
Nonspendable	-	-	-	-	-	-	14,942	-
Restricted	17,024	167,051	84,995	3,393	-	192,303	66,682	-
Unassigned	-	-	-	-	-	-	-	-
Total fund balance	<u>17,024</u>	<u>167,051</u>	<u>84,995</u>	<u>3,393</u>	<u>-</u>	<u>192,303</u>	<u>81,624</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 21,498</u>	<u>\$ 445,205</u>	<u>\$ 286,635</u>	<u>\$ 3,460</u>	<u>\$ -</u>	<u>\$ 900,861</u>	<u>\$ 84,651</u>	<u>\$ -</u>

COUNTY OF INDIANA, PENNSYLVANIA
 COMBINING BALANCE SHEET (CONTINUED)
 NONMAJOR SPECIAL REVENUE FUNDS
 DECEMBER 31, 2017

	Keystone Communities	Jail Commissary	Register of Wills Ck of Orphan Ct	County Record's Improvement	Register and Recorder Records Improvement	Assessment Uniform Parcel ID	Recorder's Uniform Parcel ID	Domestic Relations
<hr/> Assets <hr/>								
Cash and cash equivalents	\$ 1	\$ 38,860	\$ 7,587	\$ 99,366	\$ 27,861	\$ 42,303	\$ 36,595	\$ 1,393,661
Investments	-	-	-	-	-	-	-	-
Receivables:								
Other governmental grants	-	-	-	-	-	-	-	1,630
Other	-	3,937	-	1,380	-	657	657	381,366
Loans	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-
Prepaid expenses	-	848	-	-	-	-	-	-
Total assets	\$ 1	\$ 43,645	\$ 7,587	\$ 100,746	\$ 27,861	\$ 42,960	\$ 37,252	\$ 1,776,657
<hr/> Liabilities <hr/>								
Accounts payable	\$ -	\$ 1,728	\$ -	\$ -	\$ -	\$ 1,174	\$ -	\$ 804
Accrued liabilities	-	-	-	-	-	-	-	26,905
Due to other governments	-	-	-	-	-	-	-	38,359
Due to other funds	-	-	-	-	-	-	-	932,772
Unearned loans receivable	-	-	-	-	-	-	-	-
Total liabilities	-	1,728	-	-	-	1,174	-	998,840
<hr/> Fund Balance <hr/>								
Fund balance:								
Nonspendable	-	-	-	3,710	-	-	-	-
Restricted	1	41,917	7,587	97,036	27,861	41,786	37,252	777,817
Total fund balance	1	41,917	7,587	100,746	27,861	41,786	37,252	777,817
Total liabilities and fund balance	\$ 1	\$ 43,645	\$ 7,587	\$ 100,746	\$ 27,861	\$ 42,960	\$ 37,252	\$ 1,776,657

COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2017

	Drug Task Force	DA Special Investigations	Health and Human Services Sub-Committee	Sheriff Public Safety Training	Prothonotary Automation	Adoption Counseling	Hotel Tax	Parks Gas Lease
<hr/> Assets <hr/>								
Cash and cash equivalents	\$ 7,422	\$ 75,460	\$ 9,683	\$ 16,533	\$ 18,538	\$ 14,060	\$ 29,764	\$ 5,949
Investments	-	-	-	-	-	-	-	-
Receivables:								
Other governmental grants	-	-	-	-	-	-	-	-
Other	17,775	-	-	-	929	75	40,007	595
Loans	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	-	-	-
Total assets	<u>\$ 25,197</u>	<u>\$ 75,460</u>	<u>\$ 9,683</u>	<u>\$ 16,533</u>	<u>\$ 19,467</u>	<u>\$ 14,135</u>	<u>\$ 69,771</u>	<u>\$ 6,544</u>
<hr/> Liabilities <hr/>								
Accounts payable	\$ 2,549	\$ -	\$ 516	\$ -	\$ -	\$ -	\$ 69,554	\$ -
Accrued liabilities	-	-	-	-	-	-	-	-
Due to other funds	3,696	-	-	-	-	-	-	-
Unearned loans receivable	-	-	-	-	-	-	-	-
Total liabilities	<u>6,245</u>	<u>-</u>	<u>516</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>69,554</u>	<u>-</u>
<hr/> Fund Balance <hr/>								
Fund balance:								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	18,952	75,460	9,167	16,533	19,467	14,135	217	6,544
Total fund balance	<u>18,952</u>	<u>75,460</u>	<u>9,167</u>	<u>16,533</u>	<u>19,467</u>	<u>14,135</u>	<u>217</u>	<u>6,544</u>
Total liabilities and fund balance	<u>\$ 25,197</u>	<u>\$ 75,460</u>	<u>\$ 9,683</u>	<u>\$ 16,533</u>	<u>\$ 19,467</u>	<u>\$ 14,135</u>	<u>\$ 69,771</u>	<u>\$ 6,544</u>

COUNTY OF INDIANA, PENNSYLVANIA
 COMBINING BALANCE SHEET (CONTINUED)
 NONMAJOR SPECIAL REVENUE FUNDS
 DECEMBER 31, 2017

	Festival of Lights	Parks Enterprise	Farmlands Preservation	Community Development Block Grant	HOME Investment	Escrow Fund	Affordable Housing and Act 137	Emergency Repair
<hr/> Assets <hr/>								
Cash and cash equivalents	\$ -	\$ 39,857	\$ 17,040	\$ 1,249	\$ 4,515	\$ -	\$ 109,737	\$ 1,218
Investments	-	-	-	-	-	-	101,075	-
Receivables:								
Other governmental grants	-	-	6	32,223	4,278	-	-	-
Other	-	800	-	-	-	1,050	3,630	-
Loans	-	-	-	-	-	-	84,994	69,176
Due from other funds	-	-	-	3,835	-	-	41,876	-
Prepaid expenses	-	-	-	-	-	-	-	-
Total assets	\$ -	\$ 40,657	\$ 17,046	\$ 37,307	\$ 8,793	\$ 1,050	\$ 341,312	\$ 70,394
<hr/> Liabilities <hr/>								
Accounts payable	\$ -	\$ 1,609	\$ 10,166	\$ 32,495	\$ 4,615	\$ -	\$ 59,155	\$ -
Accrued liabilities	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	1,227	-	-	-	-
Unearned loans receivable	-	-	-	-	-	-	84,994	69,176
Total liabilities	-	1,609	10,166	33,722	4,615	-	144,149	69,176
<hr/> Fund Balance <hr/>								
Fund balance:								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	-	39,048	6,880	3,585	4,178	1,050	197,163	1,218
Total fund balance	-	39,048	6,880	3,585	4,178	1,050	197,163	1,218
Total liabilities and fund balance	\$ -	\$ 40,657	\$ 17,046	\$ 37,307	\$ 8,793	\$ 1,050	\$ 341,312	\$ 70,394

COUNTY OF INDIANA, PENNSYLVANIA
 COMBINING BALANCE SHEET (CONTINUED)
 NONMAJOR SPECIAL REVENUE FUNDS
 DECEMBER 31, 2017

	Emergency Shelter Grant	Community Development Fund	Community Revitalization Program	General Economic Development	SPC Team PA	Homeless Assistance Program	Enterprise Zone	Planning Fund
Assets								
Cash and cash equivalents	\$ 19	\$ 12,711	\$ 100	\$ 70,671	\$ -	\$ 33,239	\$ 386,791	\$ 135,998
Investments	-	-	-	-	-	-	-	-
Receivables:								
Other governmental grants	41,936	-	-	3,612,500	-	-	-	-
Other	-	-	-	-	-	-	-	-
Loans	-	-	150,000	-	-	-	853,645	-
Due from other funds	-	-	-	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	-	-	-
Total assets	\$ 41,955	\$ 12,711	\$ 150,100	\$ 3,683,171	\$ -	\$ 33,239	\$ 1,240,436	\$ 135,998
Liabilities								
Accounts payable	\$ 8	\$ -	\$ -	\$ 3,621,365	\$ -	\$ 11,464	\$ 29,034	\$ -
Accrued liabilities	-	-	-	-	-	-	-	-
Due to other funds	41,888	-	-	-	-	-	-	3,835
Unearned loans receivable	-	-	150,000	-	-	-	853,645	-
Total liabilities	41,896	-	150,000	3,621,365	-	11,464	882,679	3,835
Fund Balance								
Fund balance:								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	59	12,711	100	61,806	-	21,775	357,757	132,163
Total fund balance	59	12,711	100	61,806	-	21,775	357,757	132,163
Total liabilities and fund balance	\$ 41,955	\$ 12,711	\$ 150,100	\$ 3,683,171	\$ -	\$ 33,239	\$ 1,240,436	\$ 135,998

COUNTY OF INDIANA, PENNSYLVANIA
 COMBINING BALANCE SHEET (CONTINUED)
 NONMAJOR SPECIAL REVENUE FUNDS
 DECEMBER 31, 2017

Assets	Indiana County Code Division	Liquid Fuels	Pre-Disaster Mitigation	Total
Cash and cash equivalents	\$ 142,801	\$ 791,478	\$ 9,488	\$ 4,309,837
Investments	-	465,387	-	566,462
Receivables:				
Other governmental grants	-	93,646	6,823	4,776,651
Other	-	-	-	468,183
Loans	-	-	-	1,157,815
Due from other funds	-	-	-	45,711
Prepaid expenses	-	-	-	14,942
Total assets	<u>\$ 142,801</u>	<u>\$ 1,350,511</u>	<u>\$ 16,311</u>	<u>\$ 11,339,601</u>
Liabilities				
Accounts payable	\$ 62,859	\$ 282,168	\$ -	\$ 5,296,521
Accrued Liabilities	-	-	-	26,905
Due to other governments	66	-	-	38,425
Due to other funds	-	-	-	1,074,080
Unearned loans receivable	-	-	-	1,157,815
Total liabilities	<u>62,925</u>	<u>282,168</u>	<u>-</u>	<u>7,593,746</u>
Fund Balance				
Fund balance:				
Nonspendable	-	-	-	14,942
Restricted	<u>79,876</u>	<u>1,068,343</u>	<u>16,311</u>	<u>3,730,913</u>
Total fund balance	<u>79,876</u>	<u>1,068,343</u>	<u>16,311</u>	<u>3,745,855</u>
Total liabilities and fund balance	<u>\$ 142,801</u>	<u>\$ 1,350,511</u>	<u>\$ 16,311</u>	<u>\$ 11,339,601</u>

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, 2017

	Human Services Development	MATP	Airport Construction	Children's Advisory Commission	Working Wardrobe	Enhanced 911	Hazardous Materials	911 Wireless
Revenues								
Taxes, Hotel	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue	88,585	1,205,502	638,149	-	-	2,736,488	51,458	-
Charges for services	440	-	-	13,613	-	-	23,184	-
Interest income	3	26	32	2	-	49	5	-
Other revenue	-	-	-	-	-	-	1,000	-
Total Revenues	89,028	1,205,528	638,181	13,615	-	2,736,537	75,647	-
Expenditures								
Current operating:								
General government	-	-	-	-	-	-	-	-
Judicial	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	4,057,875	114,357	-
Public works	-	-	742,078	-	-	-	-	-
Human services	86,814	1,082,065	0	12,684	2,294	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
Conservation and development	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-
Debt service								
Principal	-	-	618,953	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Total Expenditures	86,814	1,082,065	1,361,031	12,684	2,294	4,057,875	114,357	-
Excess (deficiency) of revenues over expenditures	2,214	123,463	(722,850)	931	(2,294)	(1,321,338)	(38,710)	-
Other financing sources (uses)								
Amounts received from loans	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	60,000	-
Transfers out	-	-	(47,152)	-	-	-	-	-
sources (uses)	-	-	(47,152)	-	-	-	60,000	-
Net change in fund balance	2,214	123,463	(770,002)	931	(2,294)	(1,321,338)	21,290	-
Fund balance, beginning of year	14,810	43,588	854,997	2,462	2,294	1,513,641	60,334	-
Fund balance, end of year	\$ 17,024	\$ 167,051	\$ 84,995	\$ 3,393	\$ -	\$ 192,303	\$ 81,624	\$ -

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, 2017

	Keystone Communities Program	Jail Commissary	Register of Wills Ck of Orphan Ct	County Record's Improvement	Register and Recorder Records Improvement	Assessment Uniform Parcel ID	Recorder's Uniform Parcel ID	Domestic Relations
Revenues								
Taxes, Hotel	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue	-	-	-	-	-	-	-	911,774
Charges for services	-	35,542	4,720	17,756	26,652	8,353	8,353	177,456
Interest income	-	5	-	102	27	42	35	1,213
Other revenue	-	-	-	-	-	-	-	-
Total Revenues	<u>-</u>	<u>35,547</u>	<u>4,720</u>	<u>17,858</u>	<u>26,679</u>	<u>8,395</u>	<u>8,388</u>	<u>1,090,443</u>
Expenditures								
Current operating:								
General government	-	-	-	12,850	5,740	11,527	-	-
Judicial	-	-	6,000	-	-	-	-	1,683,380
Public safety	-	78,665	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-
Human services	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
Conservation and development	-	-	-	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>78,665</u>	<u>6,000</u>	<u>12,850</u>	<u>5,740</u>	<u>11,527</u>	<u>-</u>	<u>1,683,380</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(43,118)</u>	<u>(1,280)</u>	<u>5,008</u>	<u>20,939</u>	<u>(3,132)</u>	<u>8,388</u>	<u>(592,937)</u>
Other financing sources (uses)								
Amounts received from loans	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	397,519
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>397,519</u>
Net change in fund balance	<u>-</u>	<u>(43,118)</u>	<u>(1,280)</u>	<u>5,008</u>	<u>20,939</u>	<u>(3,132)</u>	<u>8,388</u>	<u>(195,418)</u>
Fund balance, beginning of year	<u>1</u>	<u>85,035</u>	<u>8,867</u>	<u>95,738</u>	<u>6,922</u>	<u>44,918</u>	<u>28,864</u>	<u>973,235</u>
Fund balance, end of year	<u>\$ 1</u>	<u>\$ 41,917</u>	<u>\$ 7,587</u>	<u>\$ 100,746</u>	<u>\$ 27,861</u>	<u>\$ 41,786</u>	<u>\$ 37,252</u>	<u>\$ 777,817</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, 2017

	Drug Task Force	DA Special Investigations	Health and Human Services Sub-Committee	Sheriff Public Safety Training	Prothonotary Automation	Adoption Counseling	Hotel Tax	Parks Gas Lease
Revenues								
Taxes, Hotel	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 526,469	\$ -
Intergovernmental revenue	71,227	-	-	-	-	-	-	-
Charges for services	-	32,371	4,680	3,809	14,227	1,125	-	2,639
Interest income	-	9	10	16	42	14	29	6
Other revenue	-	-	-	-	-	-	-	-
Total Revenues	<u>71,227</u>	<u>32,380</u>	<u>4,690</u>	<u>3,825</u>	<u>14,269</u>	<u>1,139</u>	<u>526,498</u>	<u>2,645</u>
Expenditures								
Current operating:								
General government	-	-	-	-	-	-	-	-
Judicial	56,414	-	-	1,866	3,636	-	-	-
Public safety	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-
Human services	-	53,073	5,742	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	526,388	-
Conservation and development	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-
Debt service								
Principal	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Total Expenditures	<u>56,414</u>	<u>53,073</u>	<u>5,742</u>	<u>1,866</u>	<u>3,636</u>	<u>-</u>	<u>526,388</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>14,813</u>	<u>(20,693)</u>	<u>(1,052)</u>	<u>1,959</u>	<u>10,633</u>	<u>1,139</u>	<u>110</u>	<u>2,645</u>
Other financing sources (uses)								
Amounts received from loans	-	-	-	-	-	-	-	-
Transfers in	8,718	2,500	-	-	-	-	-	-
Transfers out	(6,196)	(9,014)	-	-	-	-	-	-
Total other financing sources (uses)	<u>2,522</u>	<u>(6,514)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>17,335</u>	<u>(27,207)</u>	<u>(1,052)</u>	<u>1,959</u>	<u>10,633</u>	<u>1,139</u>	<u>110</u>	<u>2,645</u>
Fund balance, beginning of year	<u>1,617</u>	<u>102,667</u>	<u>10,219</u>	<u>14,574</u>	<u>8,834</u>	<u>12,996</u>	<u>107</u>	<u>3,899</u>
Fund balance, end of year	<u>\$ 18,952</u>	<u>\$ 75,460</u>	<u>\$ 9,167</u>	<u>\$ 16,533</u>	<u>\$ 19,467</u>	<u>\$ 14,135</u>	<u>\$ 217</u>	<u>\$ 6,544</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, 2017

	Festival of Lights	Parks Enterprise	Farmlands Preservation	Community Development Block Grant	HOME Investment	Escrow Fund	Affordable Housing and Act 137	Emergency Repair
Revenues								
Taxes, Hotel	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue	-	-	-	272,512	227,028	-	-	-
Charges for services	-	68,314	-	-	-	-	42,457	-
Interest income	-	188	140	-	-	-	264	13
Other revenue	-	2,942	-	-	-	-	-	-
Total Revenues	-	71,444	140	272,512	227,028	-	42,721	13
Expenditures								
Current operating:								
General government	-	-	-	-	-	-	-	-
Judicial	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-
Human services	-	-	-	-	-	-	-	-
Culture and recreation	-	182,765	-	-	-	-	-	-
Conservation and development	-	-	10,416	272,512	231,529	-	88,990	23,951
Total Expenditures	-	182,765	10,416	272,512	231,529	-	88,990	23,951
Excess (deficiency) of revenues over expenditures	-	(111,321)	(10,276)	-	(4,501)	-	(46,269)	(23,938)
Other financing sources (uses)								
Amounts received from loans	-	-	-	-	-	-	5,413	10,990
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	(20,000)	-
Total other financing sources (uses)	-	-	-	-	-	-	(14,587)	10,990
Net change in fund balance	-	(111,321)	(10,276)	-	(4,501)	-	(60,856)	(12,948)
Fund balance, beginning of year	-	150,369	17,156	3,585	8,679	1,050	258,019	14,166
Fund balance, end of year	\$ -	\$ 39,048	\$ 6,880	\$ 3,585	\$ 4,178	\$ 1,050	\$ 197,163	\$ 1,218

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, 2017

	Emergency Shelter Grant	Community Development Fund	Community Revitalization Program	General Economic Development	SPC Team PA	Homeless Assistance Program	Enterprise Zone	Planning Fund
Revenues								
Taxes, Hotel	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue	195,210	-	-	3,627,787	-	223,106	-	212,020
Charges for services	-	-	-	-	-	-	12,166	-
Interest income	-	24	-	11	-	50	469	-
Other revenue	-	-	-	-	-	-	-	156
Total Revenues	<u>195,210</u>	<u>24</u>	<u>-</u>	<u>3,627,798</u>	<u>-</u>	<u>223,156</u>	<u>12,635</u>	<u>212,176</u>
Expenditures								
Current operating:								
General government	-	-	-	-	-	-	-	-
Judicial	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-
Human services	206,706	-	-	-	-	211,137	-	-
Culture and recreation	-	-	-	-	-	-	-	-
Conservation and development	-	107,010	-	3,567,660	-	-	13,546	92,855
Total Expenditures	<u>206,706</u>	<u>107,010</u>	<u>-</u>	<u>3,567,660</u>	<u>-</u>	<u>211,137</u>	<u>13,546</u>	<u>92,855</u>
Excess (deficiency) of revenues over expenditures	<u>(11,496)</u>	<u>(106,986)</u>	<u>-</u>	<u>60,138</u>	<u>-</u>	<u>12,019</u>	<u>(911)</u>	<u>119,321</u>
Other financing sources (uses)								
Amounts loaned to others	-	-	-	-	-	-	(486,112)	-
Amounts received from loans	-	-	-	-	-	-	-	-
Transfers in	-	2,300	-	580	-	-	-	-
Transfers out	-	-	-	-	(580)	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>2,300</u>	<u>-</u>	<u>580</u>	<u>(580)</u>	<u>-</u>	<u>(486,112)</u>	<u>-</u>
Net change in fund balance	(11,496)	(104,686)	-	60,718	(580)	12,019	(487,023)	119,321
Fund balance, beginning of year	<u>11,555</u>	<u>117,397</u>	<u>100</u>	<u>1,088</u>	<u>580</u>	<u>9,756</u>	<u>844,780</u>	<u>12,842</u>
Fund balance, end of year	<u>\$ 59</u>	<u>\$ 12,711</u>	<u>\$ 100</u>	<u>\$ 61,806</u>	<u>\$ -</u>	<u>\$ 21,775</u>	<u>\$ 357,757</u>	<u>\$ 132,163</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, 2017

	Indiana County Code Division	Liquid Fuels	Pre-Disaster Mitigation	Total
Revenues				
Taxes, Hotel	\$ -	\$ -	\$ -	\$ 526,469
Intergovernmental revenue	-	520,611	16,311	10,997,768
Charges for services	50,303	-	-	548,160
Interest income	183	1,678	-	4,687
Other revenue	-	-	-	4,098
Total Revenues	<u>50,486</u>	<u>522,289</u>	<u>16,311</u>	<u>12,081,182</u>
Expenditures				
Current operating:				
General government	61,078	-	-	91,195
Judicial	-	-	-	1,751,296
Public safety	-	-	-	4,250,897
Public works	-	454,120	-	1,196,198
Human services	-	-	-	1,660,515
Culture and recreation	-	-	-	709,153
Conservation and development	-	-	-	4,408,469
Debt service				
Principal	-	-	-	618,953
Total Expenditures	<u>61,078</u>	<u>454,120</u>	<u>-</u>	<u>14,686,676</u>
Excess (deficiency) of revenues over expenditures	<u>(10,592)</u>	<u>68,169</u>	<u>16,311</u>	<u>(2,605,494)</u>
Other financing sources (uses)				
Amounts loaned to others	-	-	-	(486,112)
Amounts received from loans	-	-	-	16,403
Transfers in	-	-	-	471,617
Transfers out	-	-	-	(82,942)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(81,034)</u>
Net change in fund balance	(10,592)	68,169	16,311	(2,686,528)
Fund balance, beginning of year	<u>90,468</u>	<u>1,000,174</u>	<u>-</u>	<u>6,432,383</u>
Fund balance, end of year	<u>\$ 79,876</u>	<u>\$ 1,068,343</u>	<u>\$ 16,311</u>	<u>\$ 3,745,855</u>

COUNTY OF INDIANA, PENNSYLVANIA
 COMBINING STATEMENT OF NET POSITION
 DISCRETELY PRESENTED COMPONENT UNITS
 DECEMBER 31, 2017

Assets	Indiana County Municipal Services Authority	Highridge Water Authority	Total Component Units
Current Assets:			
Cash and cash equivalents	\$ 253,196	\$ 1,135,974	\$ 1,389,170
Restricted cash and cash equivalents	957,252	-	957,252
Accounts Receivable	1,180,505	291,600	1,472,105
Note Receivable - current	96,537	-	96,537
Prepaid expenses and other current assets	-	52,307	52,307
Inventories	-	106,657	106,657
	<u>2,487,490</u>	<u>1,586,538</u>	<u>4,074,028</u>
Noncurrent assets:			
Capital Assets (net of accumulated depreciation)	87,379,507	30,080,136	117,459,643
Note Receivable less current portion	1,713,769	-	1,713,769
Intangible assets	-	1,173,779	1,173,779
Other assets	313,532	-	313,532
Trustee held funds	-	217,433	217,433
	<u>89,406,808</u>	<u>31,471,348</u>	<u>120,878,156</u>
Total noncurrent assets	<u>89,406,808</u>	<u>31,471,348</u>	<u>120,878,156</u>
Total assets	<u>\$ 91,894,298</u>	<u>\$ 33,057,886</u>	<u>\$ 124,952,184</u>
Liabilities			
Current liabilities:			
Accounts payable	\$ 89,903	\$ 80,149	\$ 170,052
Accrued Expenses	248,458	22,646	271,104
Accrued Interest Payable	134,846	36,021	170,867
Current portion of long-term debt	3,643,042	1,193,023	4,836,065
Current portion of capital lease	56,597	-	56,597
Customer Deposits	85,638	56,149	141,787
Line of credit	200,812	-	200,812
	<u>4,459,296</u>	<u>1,387,988</u>	<u>5,847,284</u>
Total current liabilities	<u>4,459,296</u>	<u>1,387,988</u>	<u>5,847,284</u>
Capital lease	124,528	-	124,528
Compensated absences	-	155,333	155,333
Long-term debt	46,413,578	10,672,004	57,085,582
	<u>46,538,106</u>	<u>10,827,337</u>	<u>57,365,443</u>
Total noncurrent liabilities	<u>46,538,106</u>	<u>10,827,337</u>	<u>57,365,443</u>
Total Liabilities	<u>50,997,402</u>	<u>12,215,325</u>	<u>63,212,727</u>
Net Position			
Net investment in capital assets	37,320,448	10,831,553	48,152,001
Restricted per bond indenture	953,759	-	953,759
Restricted for construction	3,493	-	3,493
Unrestricted	2,619,196	10,011,008	12,630,204
	<u>40,896,896</u>	<u>20,842,561</u>	<u>61,739,457</u>
Total net position	<u>40,896,896</u>	<u>20,842,561</u>	<u>61,739,457</u>
Total liabilities and net position	<u>\$ 91,894,298</u>	<u>\$ 33,057,886</u>	<u>\$ 124,952,184</u>

COUNTY OF INDIANA, PENNSYLVANIA
 COMBINING STATEMENT OF ACTIVITIES
 DISCRETELY PRESENTED COMPONENT UNITS
 FOR THE YEAR ENDED DECEMBER 31, 2017

	Indiana County Municipal Services Authority	Highridge Water Authority	Total Component Units
Operating Revenues			
Charges for services	\$ 7,031,201	\$ 3,070,841	\$ 10,102,042
Other revenue	<u>71,463</u>	<u>486,423</u>	<u>557,886</u>
Total Operating Revenues	<u>7,102,664</u>	<u>3,557,264</u>	<u>10,659,928</u>
Operating Expenses			
General and administration	437,650	551,308	988,958
Operating costs	3,276,651	1,433,480	4,710,131
Depreciation and amortization	<u>3,429,638</u>	<u>1,346,182</u>	<u>4,775,820</u>
Total Operating Expenses	<u>7,143,939</u>	<u>3,330,970</u>	<u>10,474,909</u>
Operating Income	<u>(41,275)</u>	<u>226,294</u>	<u>185,019</u>
Nonoperating Revenues (Expenses)			
Interest Income	17,359	5,174	22,533
Tap fees	-	15,874	15,874
Contributed capital	-	244,296	244,296
Amorization of bond discount and issuance costs	(12,668)	(279,394)	(292,062)
Loss on diposal of assets	-	(3,158)	(3,158)
Interest expense	(815,260)	-	(815,260)
Gain on sale of asset	17,879	-	17,879
Grants for construction	<u>1,775,960</u>	<u>-</u>	<u>1,775,960</u>
Total Nonoperating Revenues (Expenses)	<u>983,270</u>	<u>(17,208)</u>	<u>966,062</u>
Changes in Net Position	<u>941,995</u>	<u>209,086</u>	<u>1,151,081</u>
Net Position - Beginning of Year	39,954,901	20,633,475	60,588,376
Net Position - End of Year	<u>\$ 40,896,896</u>	<u>\$ 20,842,561</u>	<u>\$ 61,739,457</u>