

**COUNTY OF ADAMS
GETTYSBURG, PENNSYLVANIA**

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

COUNTY OF ADAMS
YEAR ENDED DECEMBER 31, 2014

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Zelenkofske Axelrod LLC

INDEPENDENT AUDITORS' REPORT

County Commissioners
County of Adams
Gettysburg, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the COUNTY OF ADAMS, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the COUNTY OF ADAMS's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the blended component unit financial statements for the Adams County Industrial Development Authority, which represent 10%, 10%, and 11% of the assets, net position, and revenues, respectively, of the business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for those business-type activities, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Adams County Industrial Development were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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County of Adams
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Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the COUNTY OF ADAMS, as of December 31, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adoptions of New GASB's

As discussed in Note 1 to the financial statements in 2014 the County adopted the provisions of Governmental Accounting Standards Board's Statement No. 67 "*Financial Reporting for Pension Plans – an amendment to GASB Statement No. 25*", Statement No. 69, "*Government Combinations and Disposals of Government Operations*", and Statement No. 70, "*Accounting and Financial Reporting for Nonexchange Financial Guarantees*". Our opinions are not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress for postemployment benefits other than pensions, and budgetary comparison schedules of pages 4 through 20 and pages 68 through 72 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the COUNTY OF ADAMS's basic financial statements. The Conservation District fund financial statements are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

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County Commissioners
County of Adams
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The Conservation District fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 Conservation District fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2015 on our consideration of the COUNTY OF ADAMS's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the COUNTY OF ADAMS's internal control over financial reporting and compliance.

Zelenkofske Axelrod LLC

ZELENKOFKSKE AXELROD LLC

Harrisburg, Pennsylvania
September 22, 2015

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

The COUNTY OF ADAMS, hereafter referred to as the "COUNTY", is pleased to present its financial statements developed in compliance with Statement of Governmental Accounting Standard No. 34, entitled "Basic Financial Statements – Management's Discussion and Analysis – For State and Local Governments (hereafter "GASB 34"), and related standards. GASB 34 enhances information provided to the users of its financial statements. This section of the financial reporting package presents our discussion and analysis of the COUNTY'S financial performance during the years ended December 31, 2013 and December 31, 2014. Please read it in conjunction with the COUNTY'S financial statements that follow this section.

Financial Highlights:

- Total assessed taxable property values in 2014 were \$9,082,272,700. The Library millage rate remained at .1147 mills during 2014; 3.8046 for general county purposes for an overall total County Millage of 3.9193 in 2014.
- County completed operations in 2014 with a net increase in fund balance of \$4.7 million. The COUNTY'S general fund balance was \$22.3 million with an unassigned portion of \$20.5 million.
- The COUNTY'S total net position increased by approximately \$4.6 million due to an increase in general revenues primarily in the property tax category and a decrease in expenses in Governmental Activities.
- The County's bond rating upgraded by Moody's to Aa3 in 2014.
- The County issued General Obligation Bonds Series of 2014 in the principal amount of \$28.605 million. The Bonds were used to refund the County's outstanding General Obligation Notes, Series of 2011.
- The County had \$64,331,749 of general obligation debt outstanding as of December 31, 2014. This represents a decrease of \$1.9 million or 3% from the previous year.
- Budgetary policy and management of expenses enabled the county to reduce governmental activities expense by nearly \$500,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists of the following three parts:

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

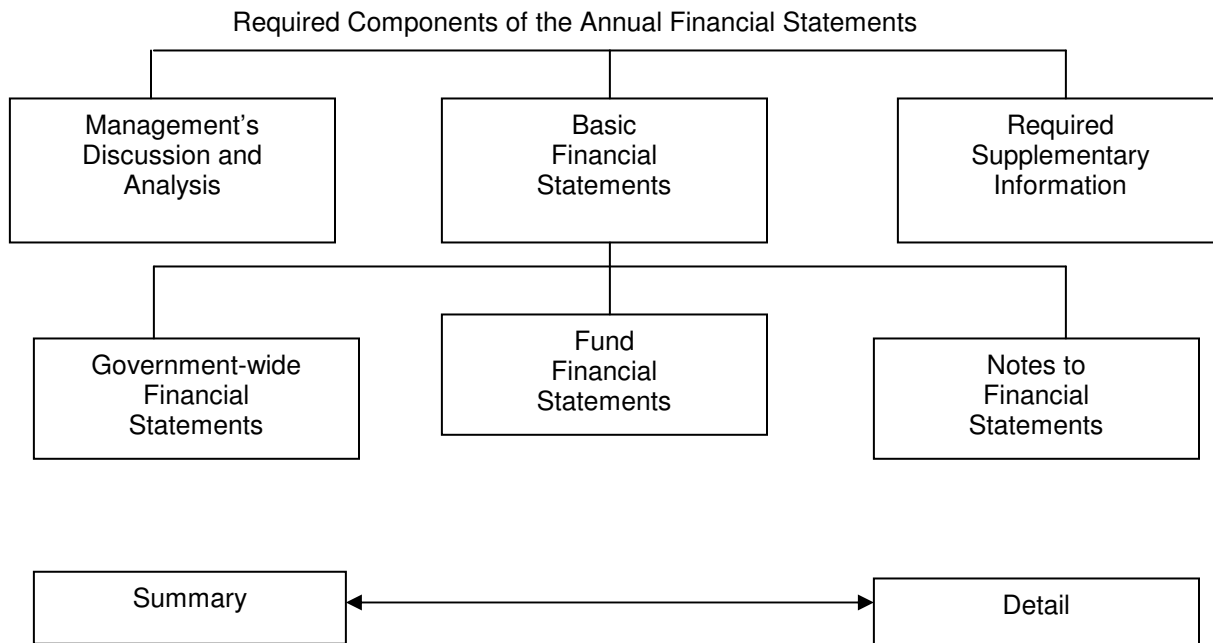
Management's discussion and analysis is a guide to reading the financial statements and provides related information to help the reader to better understand the COUNTY'S government. The basic financial statements include notes that provide additional information essential to a full understanding of the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

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

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, such as the emergency 911 telephone fund.
 - *Fiduciary funds statements* reflect activities involving resources that are held by the COUNTY as a trustee or agent for the benefit of others. Fiduciary funds are not reflected in the government-wide statements because the resources cannot be used to support the COUNTY’S programs.

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



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

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

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

	Government-wide Statements	Fund Financial Statements		
		Governmental	Proprietary	Fiduciary
Scope	Entire entity and component units (except fiduciary funds)	The day-to-day operating activities of the COUNTY, such as public safety and courts	The activities of the COUNTY, such as the COUNTY 911 Fund	Instances in which the COUNTY administers resources on behalf of others
Required Financial Statements	-Statement of net position -Statement of activities	-Balance Sheet -Statement of revenues, expenditures and changes in fund balance	-Statement of net position -Statement of revenues, expenses and changes in net position -Statement of cash flows	-Statement of fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources measurement focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset and liability information	All assets and liabilities, both financial and capital, short-term and long-term	Current assets and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities
Type of inflow and outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year; regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

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

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

Government-wide financial statements

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

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

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

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

The primary government and its component units are included in the government-wide financial statements. Component units reflect the activities of legally separate government entities over which the County can exercise influence and/or be obligated to provide financial support. The County has one blended component unit, the Adams County Industrial Development Authority. (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 911 emergency telephone fund 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 expenditures when paid. Depreciation is not calculated as it does not provide or reduce current financial resources. Finally, capital assets and long-term debt do not affect fund balances.

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

- Capitalize current outlays for capital assets
- Report long-term debt as a liability
- Depreciate capital assets and allocate the depreciation to the proper program/activities

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

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

Fund Financial Statements

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

The COUNTY has three kinds of funds:

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Net Position

The COUNTY'S total assets were \$111,405,444 at December 31, 2014. Of this amount, \$76,245,318 was capital assets. The COUNTY'S deferred outflows of resources totaled \$6,650,537.

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

Condensed Statement of Net Position

	Governmental activities <u>2013</u>	Governmental activities <u>2014</u>	Changes from <u>2013 to 2014</u>
Capital Assets	\$49,212,385	\$49,034,641	\$(177,744)
Other Assets	<u>30,159,885</u>	<u>35,535,092</u>	<u>\$5,375,207</u>
	<u>\$79,372,270</u>	<u>\$84,569,733</u>	<u>\$5,197,463</u>
Deferred Outflows of Resources	<u>\$5,168,718</u>	<u>\$6,620,933</u>	<u>\$1,452,215</u>
Current Liabilities	\$ 7,208,201	\$ 8,304,215	\$ 1,096,014
Long-Term Liabilities	<u>48,286,365</u>	<u>47,570,955</u>	<u>(715,410)</u>
Total Liabilities	<u>\$55,494,566</u>	<u>\$55,875,170</u>	<u>\$380,604</u>
Net Position:			
Net Investment in capital assets	\$11,708,826	\$13,158,030	\$1,449,204
Restricted	6,141,694	6,078,901	(62,793)
Unrestricted	<u>11,195,902</u>	<u>16,078,565</u>	<u>4,882,663</u>
	<u>\$29,046,422</u>	<u>\$35,315,496</u>	<u>\$6,269,074</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014

Condensed Statement of Net Position

	Business-Type activities <u>2013</u>	Business- Type activities <u>2014</u>	Changes from <u>2013 to 2014</u>
Capital Assets	\$12,491,819	\$27,210,677	\$14,718,858
Other Assets	15,382,200	(374,966)	(15,757,166)
	<u>\$27,874,019</u>	<u>\$26,835,711</u>	<u>\$(1,038,308)</u>
Deferred Outflows of Resources	<u>\$31,718</u>	<u>\$29,604</u>	<u>\$(2,114)</u>
Current Liabilities	\$ 1,234,640	\$ 1,579,454	\$344,814
Long-Term Liabilities	23,328,273	23,619,902	291,629
Liabilities	<u>\$24,562,913</u>	<u>\$25,199,356</u>	<u>\$636,443</u>
Net Position:			
Net Investment in capital assets	\$2,549,387	\$2,911,291	\$361,904
Restricted	1,503,331	-	(1,503,331)
Unrestricted (Deficit)	(709,894)	(1,245,332)	(535,438)
	<u>\$3,342,824</u>	<u>\$1,665,959</u>	<u>\$(1,676,865)</u>

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

Change in Net Position

The following condensed statement of activities represents changes in net position for the year ended December 31, 2013, December 31, 2014 and the changes from 2013 to 2014. It shows revenues by source and expenses by function for governmental activities, business-type activities and the changes from the prior year.

Condensed Statement of Activities

	Governmental activities <u>2013</u>	Governmental activities <u>2014</u>	Changes From <u>2013 to 2014</u>
Program Revenues:			
Charges for Services	\$6,819,328	\$7,407,102	587,774
Operating Grants and Contributions	24,784,994	22,911,289	(1,873,705)
Capital Grants and Contributions	-	-	-
General Revenues:			
Property Taxes	31,837,110	35,115,554	3,278,444
Per Capita Taxes	350,655	326,466	(24,189)
Hotel Taxes	2,479,651	2,343,980	(135,671)
Unrestricted Investment Earnings/(Loss)	(376,967)	656,327	1,033,294
Transfers	(36,580)	(32,337)	4,243
Swap Proceeds	96,913	99,142	2,229
Miscellaneous	763,434	1,104,057	340,623
	<u>66,718,538</u>	<u>69,931,580</u>	<u>3,213,042</u>
Expenses:			
General Government - Administrative	11,110,739	12,364,019	1,253,280
General Government - Judicial	6,075,694	6,401,993	326,299
Public Safety	16,283,462	16,450,998	167,536
Public Works	652,486	812,749	160,263
Human Services	22,646,605	20,925,907	(1,720,698)
Culture and Recreation	2,669,057	2,381,280	(287,777)
Conservation and Development	2,696,638	2,301,660	(394,978)
Debt Service	2,036,769	2,023,900	(12,869)
	<u>64,171,450</u>	<u>63,662,506</u>	<u>(508,944)</u>
Change in Net Position	2,547,088	6,269,074	3,721,986
Net Position – Beginning of the Year	<u>26,499,334</u>	<u>29,046,422</u>	<u>2,547,088</u>
Net Position – End of the Year	<u>\$29,046,422</u>	<u>\$35,315,496</u>	<u>\$6,269,074</u>

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

Condensed Statement of Activities

	Business- Type activities <u>2013</u>	Business- Type activities <u>2014</u>	Changes From <u>2013 to 2014</u>
Program Revenues:			
Charges for Services	\$1,422,510	\$1,291,257	(\$131,253)
Operating Grants and Contributions	-	-	-
General Revenues:			
Unrestricted Investment Earnings	52,645	17,994	(34,651)
Project Support Income	-	63,755	63,755
Capital Contribution	-	60,975	60,975
Property Taxes	1,744,739	-	(1,744,739)
Transfers	36,580	32,337	(4,243)
Miscellaneous	18,735	39	(18,696)
	<u>3,275,209</u>	<u>1,466,357</u>	<u>(1,808,852)</u>
Expenses:			
Adams County IDA	74,638	120,721	46,083
Emergency 911 System	3,204,519	3,022,501	(182,018)
	<u>3,279,157</u>	<u>3,143,222</u>	<u>(135,935)</u>
Change in Net Position	(3,948)	(1,676,865)	(1,672,917)
Net Position – Beginning of the Year	<u>3,346,772</u>	<u>3,342,824</u>	<u>(3,948)</u>
Net Position – End of the Year	<u>\$ 3,342,824</u>	<u>\$1,665,959</u>	<u>(\$1,676,865)</u>

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

Net Program Expenses

Net program expenses indicate the amount of support required from taxes and other general revenues for a program of the government. In 2014 property, hotel, and per capita taxes brought in \$37,786,000.

Net Cost of Governmental and Business-type Activities

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Program:		
General Government - Administrative	\$12,364,019	\$9,409,615
General Government – Judicial	6,401,993	2,708,849
Public Safety	16,450,998	13,918,160
Public Works	812,749	(321,906)
Human Services	20,925,907	2,412,445
Culture and Recreation	2,381,280	2,378,108
Conservation and Development	2,301,660	814,944
Debt Service	2,023,900	2,023,900
Adams County IDA	120,721	97,777
Emergency 911 System	<u>3,022,501</u>	<u>1,754,188</u>
Total	<u>\$66,805,728</u>	<u>\$35,196,080</u>

The COUNTY relied on property taxes and other general revenues to fund 53% of its governmental and business-type activities in 2014.

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

Seventy-six percent of the Administrative system expenses and 42 percent of the judicial system expenses came from property tax and other general revenues with the remainder coming from grants, fines and court costs. Property taxes and other general revenues covered 85 percent of public safety costs with the remainder coming from grants and charges for services.

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

Property tax and other general revenues funded 100 percent the cost of culture and recreation; 11 percent of Human services; 35 percent of the County's contribution to Conservation and development and 81 percent of the County's contribution to the Adams County Industrial Development Agency.

The COUNTY'S Emergency 911 System was funded 42 percent by surcharges on phone bills passed through from telephone companies and other general revenues, and 58 percent by property tax revenue.

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

Capital Assets

The COUNTY'S investment in capital assets at December 31, 2014 excluding the Adams County Industrial Development Authority's capital assets, net of accumulated depreciation, was \$73,373,007. Capital assets consist primarily of land, infrastructure, buildings, agricultural easements, and equipment. The following is a summary of capital assets at December 31, 2014:

	Governmental Activities	Business Type Activities	Total
Land	\$896,241	\$51,041	\$947,282
Construction In Process	-	19,606,691	19,606,693
Infrastructure	7,486,218	-	7,486,218
Building and Improvements	48,277,872	5,812,788	54,090,660
Equipment and Vehicles	8,036,020	2,081,968	10,117,988
Agricultural Easements	10,685,755	-	10,685,755
Accumulated Depreciation	<u>(26,347,465)</u>	<u>(3,214,122)</u>	<u>(29,561,587)</u>
 Total Net Capital Assets	 <u>\$49,034,641</u>	 <u>\$24,338,366</u>	 <u>\$73,373,007</u>

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

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

Debt Administration

At December 31, 2014, the COUNTY had \$64,331,749 of debt outstanding, excluding compensated absences. Debt decreased 3% from the previous year. The following is a summary of general obligation bonds, notes, and other liabilities for the 2014 year:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental Activities:				
Bonds and Note Payable:				
General obligation bonded debt	\$41,983,941	\$28,758,891	\$(29,320,433)	\$41,422,399
Guaranteed revenue bonds	764,534	-	(764,534)	-
Loan payable	130,275	-	(97,765)	32,510
Plus: Bond Premium	400,039	-	(17,393)	382,646
Total Bonds and Note Payable:	<u>43,278,789</u>	<u>28,758,891</u>	<u>(\$30,200,125)</u>	<u>41,837,555</u>
Other Long Term Liabilities:				
Compensated absences	997,347	3,317	-	1,000,664
Total Other Liabilities	<u>997,347</u>	<u>3,317</u>	<u>-</u>	<u>1,000,664</u>
Governmental Activities:				
Long-Term Liabilities	<u>\$44,276,136</u>	<u>\$28,762,208</u>	<u>(\$30,200,125)</u>	<u>\$42,838,219</u>
Business-Type Activities:				
Bonds Payable:				
General Obligation bonded debt	\$ 23,450,676	\$ 1,265,731	(\$1,839,567)	\$ 22,876,840
Plus: Bond Premium	569,999	-	(24,782)	545,217
Total Bonds Payable	<u>24,020,675</u>	<u>1,265,731</u>	<u>(1,864,349)</u>	<u>23,422,057</u>
Other Liabilities:				
Compensated absences	55,440	-	(1,203)	54,237
Total Other Liabilities	<u>55,440</u>	<u>-</u>	<u>(1,203)</u>	<u>54,237</u>
Business-Type Activities				
Long-Term Liabilities	<u>\$24,076,115</u>	<u>\$1,265,731</u>	<u>(\$1,865,552)</u>	<u>\$23,476,294</u>

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

GOVERNMENTAL FUNDS

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

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

The COUNTY'S governmental funds include the general fund, special revenue funds, capital project funds, and the debt service funds. The general fund is the chief operating fund for the COUNTY. Special revenue funds are restricted to specific legislated use. Capital project funds account for the proceeds of bond issues. Debt service funds account for the payment of principle and interest on debt. 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, 2013, and December 31, 2014, were as follows:

	<u>2013</u>	<u>2014</u>	<u>Changes from 2013 to 2014</u>
Revenues:			
Taxes	\$34,599,124	\$38,247,076	\$3,647,952
Intergovernmental Revenues	24,593,865	22,658,002	(1,935,863)
Charges for Services	5,910,420	6,670,833	760,413
Interest and Rents	136,949	113,612	(23,337)
Licenses and Permits	119,813	111,694	(8,119)
Court Costs and Fines	605,499	615,180	9,681
Miscellaneous	1,061,016	1,326,208	265,192
Debt Proceeds	62,195	1,088,000	1,025,805
Issuance of Refunding Bonds	-	27,670,891	27,670,891
Swap Proceeds	96,913	99,142	2,229
Bond Premium	-	-	-
Operating transfers in	5,258,317	4,599,495	(658,822)
	<u>\$72,444,111</u>	<u>\$103,200,133</u>	<u>30,756,022</u>

The largest source of governmental activities revenue for the County is Taxes with an increase of \$3.6 million or 10.5%.

Intergovernmental Revenues provide the next largest source of governmental activities revenue at \$22.6 million. A decrease of \$1.9 million is due to a reduction in state and federal funding in Children Services and also Human Services for our Managed Care Program.

An increase in Issuance of refunding bonds in 2014 was due to the County refunding the Series of 2011 Notes. Debt proceeds also show an increase as proceeds were used to provide funds to Adams County Industrial Development Authority. See Note 9 to the Financial Statements.

Governmental fund revenues totaled over \$74.4 million not including debt proceeds and issuance of refunding bonds for the year ended December 31, 2014. This is an increase of \$2 million from 2013.

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014

GOVERNMENTAL FUND EXPENDITURES

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

	<u>2013</u>	<u>2014</u>	<u>Changes from 2013 to 2014</u>
Expenditures			
General government – Administrative	\$ 11,033,055	\$ 11,806,113	\$ 773,058
General government – Judicial	5,998,984	6,364,277	365,293
Public Safety	15,266,413	15,423,323	156,910
Public Works	503,958	678,813	174,855
Human Services	22,645,027	20,921,464	(1,723,563)
Culture and Recreation	2,573,007	2,381,280	(191,727)
Conservation and Development	2,696,638	2,294,758	(401,880)
Debt Service	4,085,575	32,193,190	28,107,615
Capital Outlay	231,448	1,536,042	1,304,594
Operating transfers out	5,294,897	4,631,832	(663,065)
	<u>\$70,329,002</u>	<u>\$98,231,092</u>	<u>\$27,902,090</u>

General Fund expenditures totaled \$42.4 million for the year ended December 31, 2014, excluding the payment to refund the 2011 General Obligation Note.

Human Services expenditures decreased by approximately \$1.7 million or 7.6% primarily due to a decrease in the York-Adams Managed Care Program for Health Choices. The Managed Care program is a Joinder agreement between York and Adams County and is considered pass through funding. Also contributing to the decrease in Human Services was a decrease in expenditures in Children Services.

Culture and Recreation expenditures decreased by a total of \$191,727 due to a decrease hotel room rentals as compared to 2013 which was the 150th Anniversary of the Battle of Gettysburg.

Conservation and Development expenditures decreased \$401,880 or 15% in part due to a reduction in Ag Land and Conservation District expenditures as compared to last year.

Debt Service increased by 28.1 million because the County refunded more debt during 2014 than in 2013 with respect to the Government funds only.

Capital Outlay increased by approximately \$1.3 million because of the capital items that were purchased using the 2013 Series B issue which was established on a drawdown basis for this purpose.

Operating transfers out represent a decrease in the Governmental Fund Expenditures for a total \$663,065 or 12.5%.

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

Governmental Fund and Proprietary Net Position Balances

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

<u>Fund</u>	<u>Governmental Funds</u>	<u>Proprietary Funds</u>
General Fund	\$22,329,801	\$ -
Children and Youth Fund	-	-
Managed Care Fund	-	-
Domestic Relations Fund	-	-
Other Governmental Funds	6,470,784	-
Internal Service Fund	-	-
Adams County IDA	-	186,177
911 Fund	-	1,479,782
	<hr/>	<hr/>
Total	<u>\$28,800,585</u>	<u>\$1,665,959</u>

The COUNTY of Adams reported a total governmental fund balance for all funds of \$28.8 million at December 31, 2014, an increase of \$5 million from December 31, 2013. Unreserved cash carry forward was recognized as a starting balance for the 2015 budget. These reserves are discretionary and will be kept relatively strong to offset any unforeseen or unexpected expenditures.

General Fund Budgetary Highlights

In general the budget modifications during the year are primarily reclassifications from one line item to another as approved by the Board of Commissioners.

A total variance of approximately \$2.6 million is primarily due to an increase in Charges for Services for increased fees charged and because we received more revenue than was budgeted. There was also a favorable variance in tax revenues in 2014. The County budgets their tax revenue at a 96% collection rate and during 2014 they collected more than the budgeted amount.

During 2014 approximately \$1 million variance in other revenue is due in part to unexpected dividends received by the County as members of PComp and PCoRP, and contributions to the Health Reimbursement Account.

Also, the County received additional Federal and State funding for Human Services programs-Managed Care. The pass through Health Choices program received an additional \$371,672 in funding.

Human Services had a 21% increase over budgeted expenditures primarily due to the Emergency Shelter Grant and Block Grant. These programs are considered pass through funding sources and not budgeted.

An unfavorable variance in Debt Service is due to the issuance of bonds in 2014 to refund the Series of 2011 Notes.

Economic Conditions

Specific key economic factors affecting the County include the following:

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

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

In General

Tourism in Adams County remained steady in 2014 with over 3 million in visitation. Tourism has generated 2.3 million in lodging tax for 2014 and employed more than 7,200.

The County is in the process of completing an Economic Development Plan. As a continuation of this project, the Office of Planning and Development intends to conduct specific market assessments to assist in attracting compatible industry to the area.

The County began the year with a 5.5 percent unemployment rate, down from 2013. (Source: January 2014; U.S. Bureau of Labor and Statistics). The average hourly rate is currently \$19.50. Manufacturing continues to be the leading industry in terms of employment; Health Care/Social Assistance second; Accommodations/Food Services, Retail and Agriculture rounding out the top five. (Source: Pennsylvania Labor & Statistics; PA workstats/PA Workforce).

The County's internal structure continues to experience increases in demand for services. In order to improve and strengthen operations, the County has consolidated some of its services and looks to continue this trend. The County is already discussing how to save money and one way is to move all Human Services (Adult/Juvenile Probation, Children & Youth Services, Domestic Relations and Operational Services) under one building; thus, eliminating the need for multiple lease agreements varying in cost.

This growth will continue to demand management to evaluate staffing, space and equipment needs on an ongoing basis. In addition, The County has updated its 2008 GFOA study, with help from the County Planning and Development Office, which is more reflective to today's needs. One of the recommendations was to move away from the leases, hence the need to consolidate the Human Services Offices into one building.

Market Impact on Investment Income

As in previous years, Adams County continues to invest, although the interest rates have not improved much. Most of the COUNTY'S investment income is generated by the investment of the COUNTY'S reserve funds. During 2014 the County received \$99,142 from their 2005 Basis Swap arrangement with Wachovia. This is an increase from 2013 of \$2,229 and year to date the County has netted \$477,958. See note 10 in the financial statements.

Government Funding

The County continues to manage the gradual decreases of intergovernmental funding and internal funds to meet our Human Services needs as mandated. Accordingly, the County is constantly re-evaluating their General Fund budget and the projects which are budgeted and planned for.

Personnel Costs

The County's Human Resources department diligently pursues evaluation of processes and compensation policies. The County has three bargaining units; two with the Courts and one with the County Corrections Facility. The Board of Commissioners strives to maintain personnel costs and take a critical analytical approach to vacancies. Adams County strives to be prudent while remaining competitive in the market.

Cost Containment

During 2014 we continue moving forward with long term financial planning strategies. For example, the County has reviewed various processes and tools for staff and management to carry out more efficient operations within the County, resulting in improved services to our citizens. In addition, they have revamped their budget process focusing on available revenues, increased fees, and additional department consolidations. The County Manager oversees the budget and daily operations of the County.

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

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

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

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

COUNTY OF ADAMS
STATEMENT OF NET POSITION
DECEMBER 31, 2014

	Primary Government		
	Governmental Activities	Business-type Activity	Total
<u>Assets</u>			
Cash and Cash Equivalents	\$ 20,600,965	\$ 573,501	\$ 21,174,466
Investments	5,040,538	-	5,040,538
Receivables (Net, Where Applicable, of Allowance for Uncollectibles)			
Accounts	647,112	87,990	735,102
Taxes	1,139,113	-	1,139,113
Notes Receivable	319,201	51,480	370,681
Loans Receivable	1,576,127	-	1,576,127
Due From Other Governments	1,398,244	-	1,398,244
Internal Balances	1,723,743	(1,723,743)	-
Other Assets	207,623	22,939	230,562
Restricted Assets			
Cash for Workers' Compensation	42,305	-	42,305
Cash for Program Purposes	10,445	-	10,445
Cash Held in Escrow	434,969	-	434,969
Cash for Debt Service	1,113,138	-	1,113,138
Cash for Construction	783,767	612,867	1,396,634
Cash for Stream & Watershed Preservation	60,900	-	60,900
Investments for Stream & Watershed Preservation	436,902	-	436,902
Capital Assets, Not Being Depreciated	11,581,996	19,657,732	31,239,728
Capital Assets Being Depreciated, Net	37,452,645	7,552,945	45,005,590
Total Assets	84,569,733	26,835,711	111,405,444
<u>Deferred Outflows of Resources</u>			
Deferred Loss on Refunding	6,267,590	29,604	6,297,194
Accumulated decrease in fair value of hedging derivative	353,343	-	353,343
Total Deferred Outflows of Resources	6,620,933	29,604	6,650,537
<u>Liabilities</u>			
Liabilities			
Accounts Payable	2,211,344	440,740	2,652,084
Accrued Liabilities	1,086,207	96,380	1,182,587
Accrued Interest Payable	65,810	94,702	160,512
Unearned Revenues	1,657,676	-	1,657,676
Funds Held in Escrow	449,784	-	449,784
Due to Related Party	-	1,338	1,338
Long Term Liabilities:			
Due within one year			
General Obligation Debt	2,803,884	946,294	3,750,178
Loans Payable	29,510	-	29,510
Due in more than one year			
General Obligation Debt	39,001,161	22,475,763	61,476,924
Guaranteed Revenue Bonds	-	-	-
Loans Payable	3,000	-	3,000
Accrued Compensated Absences	1,000,664	54,237	1,054,901
Fixed Pay Swap Liability	353,343	-	353,343
Upfront Payment (Borrowing)	842,581	-	842,581
Swap Liability (Borrowing)	6,137,108	-	6,137,108
Due to Related Party - Long Term	-	1,089,902	1,089,902
Unfunded Other Postemployment Benefits	233,098	-	233,098
Total Liabilities	55,875,170	25,199,356	81,074,526
<u>Net Position</u>			
Net Position			
Net Investment in Capital Assets	13,158,030	2,911,291	16,069,321
Restricted	6,078,901	-	6,078,901
Unrestricted	16,078,565	(1,245,332)	14,833,233
Total Net Position	\$ 35,315,496	\$ 1,665,959	\$ 36,981,455

The accompanying notes are an integral part of the financial statements

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

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:								
Governmental activities:								
General Government - Admin	\$ 15,165,643	\$ (2,801,624)	\$ 2,109,728	\$ 844,676	\$ -	\$ (9,409,615)		\$ (9,409,615)
General Government - Judicial	5,114,169	1,287,824	2,061,396	1,631,748	-	(2,708,849)		(2,708,849)
Public Safety	15,519,345	931,653	2,282,153	250,685	-	(13,918,160)		(13,918,160)
Public Works	785,866	26,883	-	1,134,655	-	321,906		321,906
Human Services	20,684,975	240,932	318,997	18,194,465	-	(2,412,445)		(2,412,445)
Culture and Recreation	2,381,280	-	-	3,172	-	(2,378,108)		(2,378,108)
Conservation and Development	2,138,771	162,889	634,828	851,888	-	(814,944)		(814,944)
Interest on Debt Service	2,023,900	-	-	-	-	(2,023,900)		(2,023,900)
Total governmental activities	63,813,949	(151,443)	7,407,102	22,911,289	-	(33,344,115)		(33,344,115)
Business-type activity:								
Economic Development	120,721	-	22,944	-	-	-	(97,777)	(97,777)
Public Safety	2,871,058	151,443	1,268,313	-	-	-	(1,754,188)	(1,754,188)
Total business-type activities	2,991,779	151,443	1,291,257	-	-	-	(1,851,965)	(1,851,965)
Total Primary government	\$ 66,805,728	\$ -	\$ 8,698,359	\$ 22,911,289	\$ -	(33,344,115)	(1,851,965)	(35,196,080)
General revenues:								
Taxes:								
Property taxes, levied for general purposes						35,115,554	-	35,115,554
Per capita taxes						326,466	-	326,466
Hotel taxes						2,343,980	-	2,343,980
Unrestricted investment earnings/(loss)						656,327	17,994	674,321
Miscellaneous						1,104,057	39	1,104,096
Project Support Income						-	63,755	63,755
Swap Proceeds						99,142	-	99,142
Capital Contribution						-	60,975	60,975
Transfers						(32,337)	32,337	-
Total general revenues and transfers						39,613,189	175,100	39,788,289
Change in net position						6,269,074	(1,676,865)	4,592,209
Net position - beginning						29,046,422	3,342,824	32,389,246
Net position - ending						\$ 35,315,496	\$ 1,665,959	\$ 36,981,455

COUNTY OF ADAMS
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 DECEMBER 31, 2014

<u>Assets</u>	<u>General</u>	Children & <u>Youth</u>	Domestic <u>Relations</u>	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Cash and Cash Equivalents	\$ 15,598,699	\$ 20,940	\$ 783,972	\$ 4,197,354	\$ 20,600,965
Investments	4,062,978	-	-	387,475	4,450,453
Receivables					
Accounts, net	546,976	11,912	1,670	86,554	647,112
Taxes	1,139,113	-	-	-	1,139,113
Notes Receivable	-	-	-	319,201	319,201
Loans Receivable	488,127	-	-	1,088,000	1,576,127
Due From Other Funds	3,834,107	1,070,922	199,783	473,087	5,577,899
Due From Other Governments	117,432	802,142	228,739	249,931	1,398,244
Other Assets	191,974	15,649	-	-	207,623
Restricted Assets					
Cash for Workers' Compensation	42,305	-	-	-	42,305
Cash Held in Escrow	434,969	-	-	-	434,969
Cash for Debt Service	1,113,138	-	-	-	1,113,138
Cash for Program Purposes	10,445	-	-	-	10,445
Cash for Construction	-	-	-	783,767	783,767
Cash for Stream & Watershed Preservation	-	-	-	60,900	60,900
Investments for Stream & Watershed Preservation	-	-	-	436,902	436,902
Total Assets	\$ 27,580,263	\$ 1,921,565	\$ 1,214,164	\$ 8,083,171	\$ 38,799,163

The accompanying notes are an integral part of the financial statements

COUNTY OF ADAMS
BALANCE SHEET (CONTINUED)
GOVERNMENTAL FUNDS
DECEMBER 31, 2014

Liabilities and Fund Balances	General	Children & Youth	Domestic Relations	Other Governmental Funds	Total Governmental Funds
Liabilities					
Accounts Payable	\$ 1,266,148	\$ 435,279	\$ -	\$ 509,917	\$ 2,211,344
Accrued Liabilities	967,321	116,214	-	2,672	1,086,207
Unearned Revenue - Other	83,475	617,585	699,646	256,970	1,657,676
Due to Other Funds	1,744,323	752,487	514,518	842,828	3,854,156
Funds Held in Escrow	449,784	-	-	-	449,784
Total Liabilities	4,511,051	1,921,565	1,214,164	1,612,387	9,259,167
Deferred Inflow of Resources					
Unavailable Revenue - Property Taxes	739,411	-	-	-	739,411
Total Deferred Inflows of Resources	739,411	-	-	-	739,411
Fund Balances					
Fund Balances					
Nonspendable	680,101	-	-	1,158,012	1,838,113
Restricted	1,155,443	-	-	5,704,812	6,860,255
Unassigned	20,494,257	-	-	(392,040)	20,102,217
Total Fund Balances	22,329,801	-	-	6,470,784	28,800,585
Total Liabilities and Fund Balances	\$ 27,580,263	\$ 1,921,565	\$ 1,214,164	\$ 8,083,171	\$ 38,799,163

The accompanying notes are an integral part of the financial statements

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

Total fund balances for governmental funds \$ 28,800,585

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

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

Those assets consist of:

Land	896,241	
Agricultural Easements	10,685,755	
Infrastructure, net of \$3,605,994 accumulated depreciation	3,880,224	
Buildings and improvements, net of \$15,839,239 accumulated depreciation	32,438,633	
Equipment and vehicles, net of \$6,902,232 accumulated depreciation	1,133,788	
Total Capital Assets	49,034,641	49,034,641

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

739,411

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

Balances at December 31, 2014 are:

Accrued interest on bonds	(65,810)	
General obligation debt	(41,422,399)	
Loans Payable	(32,510)	
Compensated absences	(1,000,664)	
Deferred loss on refunding	6,267,590	
Deferred inflow of resources	353,343	
Fixed Pay Swap Liability	(353,343)	
Upfront Payment	(842,581)	
Swap Liability (borrowing)	(6,137,108)	
Investment Derivative	590,085	
Liability for Other Postemployment Benefits	(233,098)	
Bond Premium	(382,646)	(43,259,141)

Total net position of governmental activities \$ 35,315,496

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

	<u>General</u>	<u>Children & Youth</u>	<u>Domestic Relations</u>	<u>Managed Care</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues						
Taxes	\$ 35,903,096	\$ -	\$ -	\$ -	\$ 2,343,980	\$ 38,247,076
Intergovernmental Revenues	2,311,690	5,592,967	921,212	12,171,672	1,660,461	22,658,002
Charges for Services	5,264,882	-	16,383	-	1,389,568	6,670,833
Interest and Rents	73,062	228	1,577	-	38,745	113,612
License and Permits	111,694	-	-	-	-	111,694
Court Costs and Fines	615,180	-	-	-	-	615,180
Miscellaneous	1,081,260	102,533	-	-	142,415	1,326,208
Total Revenues	45,360,864	5,695,728	939,172	12,171,672	5,575,169	69,742,605
Expenditures						
Current:						
General Government - Administrative	11,481,295	-	-	-	324,818	11,806,113
General Government - Judicial	6,022,663	-	101,955	-	239,659	6,364,277
Public Safety	15,126,874	-	-	-	296,449	15,423,323
Public Works	-	-	-	-	678,813	678,813
Human Services	1,827,210	6,644,758	-	12,171,672	277,824	20,921,464
Culture and Recreation	658,961	-	-	-	1,722,319	2,381,280
Conservation and Development	578,884	-	-	-	1,715,874	2,294,758
Debt Service						
Principal	30,016,726	-	-	-	166,006	30,182,732
Interest	1,985,963	-	-	-	24,495	2,010,458
Capital Outlay	772,772	-	-	-	763,270	1,536,042
Total Expenditures	68,471,348	6,644,758	101,955	12,171,672	6,209,527	93,599,260
Excess of Revenues Over (Under) Expenditures	(23,110,484)	(949,030)	837,217	-	(634,358)	(23,856,655)
Other Financing Sources (Uses)						
Operating Transfer In	2,070,289	949,030	301,738	-	1,278,438	4,599,495
Operating Transfer (Out)	(2,014,807)	-	(1,138,955)	-	(1,478,070)	(4,631,832)
Issuance of debt	-	-	-	-	1,088,000	1,088,000
Issuance of refunding debt	27,670,891	-	-	-	-	27,670,891
Swap Proceeds	99,142	-	-	-	-	99,142
Total Other Financing Sources(Uses)	27,825,515	949,030	(837,217)	-	888,368	28,825,696
Net change in fund balances	4,715,031	-	-	-	254,010	4,969,041
Fund Balances - Beginning of Year	17,614,770	-	-	-	6,216,774	23,831,544
Fund Balances - End of Year	\$ 22,329,801	\$ -	\$ -	\$ -	\$ 6,470,784	\$ 28,800,585

The accompanying notes are in integral part of the financial statements

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

Net change in fund balances - total governmental funds	\$	4,969,041
<p>The change in net position reported for governmental activities in the statement of activities is different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$1,713,786) exceeded capital outlays (\$1,536,042).</p>		
		(177,744)
<p>Debt proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principle is an expenditure in the governmental funds but reduces the liability in the statement of net position.</p>		
Issuance of debt	(28,758,891)	
Principal repayments:		
General obligation debt	<u>30,182,732</u>	
Net Adjustment:		1,423,841
<p>Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the net changes of four balances.</p>		
Compensated absences	(3,317)	
Liability for Other Postemployment Benefits	(51,473)	
Accrued interest on bonds	(3,715)	
Investment Gain from Derivative Instrument	583,246	
Amortization of Swap Liabilities	37,870	
Amortization of Deferred Loss	(64,992)	
Amortization of bond premium	<u>17,393</u>	
Combined Adjustment:		515,012
<p>Under the modified accrual basis of accounting used in governmental funds, revenues are not reported until they become available. In the statement of activities, however, revenues are recorded regardless of when financial resources are available. This is the change in unearned real estate tax revenue from 12/31/13 to 12/31/14.</p>		
		<u>(461,076)</u>
Change in net position of governmental activities	\$	<u><u>6,269,074</u></u>

COUNTY OF ADAMS
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2014

	Business-Type Activities - Enterprise Funds		
	911 Fund	Adams County IDA	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 546,021	\$ 27,480	\$ 573,501
Accounts Receivable	76,951	11,039	87,990
Notes Receivable	-	3,250	3,250
Restricted Cash and Cash Equivalents	612,867	-	612,867
Due from Other Funds	532	-	532
Other Assets	21,601	1,338	22,939
Total current assets	<u>1,257,972</u>	<u>43,107</u>	<u>1,301,079</u>
Notes Receivable - Long Term	-	48,230	48,230
Capital Assets, Not Being Depreciated	19,657,732	-	19,657,732
Capital Assets, Being Depreciated, (Net)	4,680,634	2,872,311	7,552,945
Total noncurrent assets	<u>24,338,366</u>	<u>2,920,541</u>	<u>27,258,907</u>
Total assets	<u>25,596,338</u>	<u>2,963,648</u>	<u>28,559,986</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Loss on Refunding	29,604	-	29,604
Total Deferred Outflows of Resources	<u>29,604</u>	<u>-</u>	<u>29,604</u>
LIABILITIES			
Current liabilities:			
Accounts Payable	440,187	553	440,740
Accrued Liabilities	79,746	16,634	96,380
Accrued Interest Payable	94,702	-	94,702
Due to Other Funds	1,724,275	-	1,724,275
Due to Related Party	-	1,338	1,338
Current Portion of Long Term Debt	946,294	-	946,294
Total current liabilities	<u>3,285,204</u>	<u>18,525</u>	<u>3,303,729</u>
Noncurrent liabilities:			
Accrued Compensated Absences	54,237	-	54,237
Due to Related Party - Long Term	-	1,089,902	1,089,902
Noncurrent Portion of Long Term Debt	20,806,719	1,669,044	22,475,763
Total noncurrent liabilities	<u>20,860,956</u>	<u>2,758,946</u>	<u>23,619,902</u>
Total liabilities	<u>24,146,160</u>	<u>2,777,471</u>	<u>26,923,631</u>
Net Position			
Net Investment in Capital Assets	2,797,926	113,365	2,911,291
Unrestricted	(1,318,144)	72,812	(1,245,332)
Total Net Position	<u>\$ 1,479,782</u>	<u>\$ 186,177</u>	<u>\$ 1,665,959</u>

COUNTY OF ADAMS
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION -
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2014

	Business Type Activities - Enterprise Funds		
	911 Fund	Adams County IDA	Total
Operating Revenues			
Charges for Services	\$ 1,268,313	\$ 22,944	\$ 1,291,257
Total Operating Revenues	<u>1,268,313</u>	<u>22,944</u>	<u>1,291,257</u>
Operating Expenses			
Advertising	-	739	739
Insurance	-	942	942
Management Fees	-	26,500	26,500
Office Expense	-	655	655
Professional Fees	-	9,653	9,653
Rent	-	18,000	18,000
Personnel Services	1,285,870	-	1,285,870
Contracted Services	546,630	-	546,630
Supplies and Materials	9,551	-	9,551
Utilities	29,822	-	29,822
Other Services and Charges	72,947	477	73,424
Depreciation	341,978	-	341,978
Total Operating Expenses	<u>2,286,798</u>	<u>56,966</u>	<u>2,343,764</u>
Operating (Loss)/Income	<u>(1,018,485)</u>	<u>(34,022)</u>	<u>(1,052,507)</u>
Nonoperating Revenues (Expenses)			
Interest Income	14,804	3,190	17,994
Project Support Income	-	63,755	63,755
Miscellaneous Income	9	30	39
Interest Expense	(735,703)	(63,755)	(799,458)
Total Nonoperating Revenues	(720,890)	3,220	(717,670)
Loss Before Transfers & Capital Contributions	(1,739,375)	(30,802)	(1,770,177)
Capital Contribution	-	60,975	60,975
Transfers In	35,916	-	35,916
Transfers Out	(3,579)	-	(3,579)
Total Transfers and Capital Contributions	<u>32,337</u>	<u>60,975</u>	<u>93,312</u>
Change in Net Position	(1,707,038)	30,173	(1,676,865)
Net Position - Beginning of Year	<u>3,186,820</u>	<u>156,004</u>	<u>3,342,824</u>
Net Position - End of Year	<u>\$ 1,479,782</u>	<u>\$ 186,177</u>	<u>\$ 1,665,959</u>

COUNTY OF ADAMS
STATEMENT OF CASH FLOW
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	911 Fund	Adams County IDA	Total
Cash Flows From Operating Activities			
Receipts from Programs	\$ -	\$ 21,038	\$ 21,038
Receipts from Users	-	-	-
Receipts from Grants	-	402,977	402,977
Receipts from Emergency Communications Services	1,309,179	-	1,309,179
Payments to Employees	(1,287,073)	-	(1,287,073)
Payments to Suppliers	(528,777)	-	(528,777)
Payments for Operating Expenses	-	(57,871)	(57,871)
Payments for Grants	-	(402,977)	(402,977)
Internal Activity -receipts from other funds	1,755,496	-	1,755,496
Net Cash Provided By (Used in) Operating Activities	1,248,825	(36,833)	1,211,992
Cash Flows from Noncapital Financing Activities			
Operating Transfers In	35,916	-	35,916
Transfer Out	(3,579)	-	(3,579)
Miscellaneous Income	9	-	9
Net Cash Provided by Noncapital Financing Activities	32,346	-	32,346
Cash Flows from Capital and Related Financing Activities			
Principal Payments on General Obligation Debt	(1,839,567)	-	(1,839,567)
Interest Payments	(764,850)	-	(764,850)
Proceeds from Issuance of refunding bonds	934,109	-	934,109
Assets Held for Sale	-	(358,992)	(358,992)
Proceeds from Bid Fees	-	30	30
Proceeds from Note Payable	-	331,622	331,622
Reimbursement for capitalized expenses	-	4,699	4,699
Proceeds from Adams County	-	49,330	49,330
Purchases of capital assets	(9,298,144)	-	(9,298,144)
Net Cash (Used In)/Provided By Capital and Related Financing Activities	(10,968,452)	26,689	(10,941,763)
Cash Flows from Investing Activities			
Proceeds from Sale of Investment	2,518,978	-	2,518,978
Payments on notes receivable	-	2,591	2,591
Interest	14,804	3,190	17,994
Net Cash Provided By Investing Activities	2,533,782	5,781	2,539,563
Net Decrease in Cash and Cash Equivalents	(7,153,499)	(4,363)	(7,157,862)
Cash and Cash Equivalents, Beginning of Year	8,312,387	31,843	8,344,230
Cash and Cash Equivalents, End of Year	\$ 1,158,888	27,480	1,186,368
Displayed as:			
Cash and cash equivalents	\$ 546,021	\$ 27,480	\$ 573,501
Restricted cash	612,867	-	612,867
	\$ 1,158,888	\$ 27,480	\$ 1,186,368
Reconciliation of operating loss to net cash (used in)/ provided by operating activities			
Operating Loss	\$ (1,018,485)	\$ (34,022)	\$ (1,052,507)
Adjustments to Reconcile Operating Loss to Net Cash (Used in)/Provided by Operating Activities			
Depreciation	341,978	-	341,978
Change in assets and liabilities			
Account Receivable	40,866	(148)	40,718
Other Assets	(8,301)	(396)	(8,697)
Accounts Payable	116,241	553	116,794
Accrued Liabilities	22,233	-	22,233
Accrued Compensated Absences	(1,203)	-	(1,203)
Related Party	-	(2,820)	(2,820)
Due from Other Funds	32,955	-	32,955
Due to Other Funds	1,722,541	-	1,722,541
Net cash provided by (used in) operating activities	\$ 1,248,825	\$ (36,833)	\$ 1,211,992
Noncash Transactions:			
Property Purchase with Debt	\$ -	\$ 1,089,902	\$ 1,089,902
Property Purchase with capital contributions	-	11,644	11,644
Miscellaneous Income and Interest Expense			
Paid by Third Party	-	63,755	63,755
Amortization of Bond Premium	24,782	-	24,782
Amortization of Deferred Loss	2,114	-	2,114

The accompanying notes are an integral part of the financial statements

COUNTY OF ADAMS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
DECEMBER 31, 2014

<u>Assets</u>	<u>Agency Funds</u>
Cash and Cash Equivalents	<u>\$ 2,513,800</u>
Total Assets	<u><u>\$ 2,513,800</u></u>
 <u>Liabilities</u>	
Liabilities	
Due to Other Governments	<u>2,513,800</u>
Total Liabilities	<u><u>\$ 2,513,800</u></u>

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

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

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

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

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

A) Reporting Entity

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

Blended Component Unit

In conformity with accounting principles generally accepted in the United States of America, the financial statements of the Component Unit discussed below have been included in the financial reporting entity as a blended Component Unit because (1) the County appoints a voting majority of the governing board, (2) the County can impose its will on the Authority by significantly influencing program, projects, activities, and level of service performed by the Authority, and (3) the Authority's debt is currently being repaid with the County's resources.

Adams County Industrial Development Authority ("the Authority"): The Authority was incorporated on September 8, 1998 under the provisions of the Economic Development Financing Law Act of 1967 as amended in 1993. The Authority exists under the constitution and laws of the County of Adams and the Commonwealth of Pennsylvania.

The Authority is organized for the purpose of acquiring, holding, constructing, improving, maintaining, owning, financing, and leasing either in the capacity of Lessor or Lessee, projects.

The Authority operates on a fiscal year ending September 30. A separate financial statement of the Authority can be obtained by contacting the Adam's County Commissioner's Office.

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

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

B) Related Organizations

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

Adams County Office of Aging
Gettysburg Conservation and Visitors Bureau
Adams County Economic Development Corp.
Adams County Historical Society
Adams County Library System
Adams County Extension Association

C) Joint Ventures

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

Name of Organization	York/Adams Mental Health/ Intellectual and Developmental Disabilities	York/Adams Drug and Alcohol Program
Services Provided	Mental Health/ Intellectual and Developmental Disabilities	Drug and Alcohol Program
Adams County Board Representation	3 of 6	3 of 6
Fiscal Year	12/31/14	12/31/14
Total Assets	\$ 6,029,369	\$ 852,596
Equity	-	-
Operating Revenue	\$27,881,255	\$3,123,331
Net Income (Loss)	-	-
Adams County Contribution to Operations	\$ 180,581	\$ 39,052

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

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

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

D) Government-Wide and Fund Financial Statements

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

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

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

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

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

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

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

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

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

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

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

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

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

The County reports the following major governmental funds:

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

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

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

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

- The Managed Care Fund is used to account for specific revenue sources related to the provisions of the managed care program that are restricted to expenditures for those specified purposes.
- The Domestic Relations Fund is used to account for specific revenue sources related to the provisions of the domestic relations program that are restricted to expenditures for those specified purposes.

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

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

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

The County reports the following major proprietary fund:

- The 911 Emergency Telephone Fund is used to account for the operations of the County's Emergency Communications System that is financed and operated in a manner similar to private business enterprises-where the intent of the governing body is that the costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges and cost reimbursement plans.

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

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

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

Additionally, the County reports the following fund type:

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

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

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

1. Cash and Cash Equivalents

For purposes of the accompanying statement of cash flows, the County considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

2. Receivables and Payables

- Interfund Receivables and Payables

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

3. Investments

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

4. Restricted Assets

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

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

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

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

5. Deferred Inflows/Outflows

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Under the accrual basis of accounting, the government wide statement of net position and proprietary fund statement of net position reports a deferred loss on refunding and hedging derivative instrument as a deferred outflow of resources.

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

6. Capital Assets

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

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

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

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

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

8. Allowance for Doubtful Accounts

Accounts receivable have been reported net of allowance for doubtful accounts. The County recorded an allowance for uncollectible taxes of \$919,971 as of December 31, 2014.

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

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

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

9. Compensated Absences

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

10. Long-Term Obligations

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

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

11. Unearned Revenues

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

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

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

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

12. Interfund Transactions

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

13. Fund Balances

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

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

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

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

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

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

14. Net Position

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

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

15. Accounting Estimates

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

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

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

G) Budgets and Budgetary Accounting

Legal Requirements

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

County Budget Process

1. During the 3rd quarter each year the Finance Department prepares and distributes to all department directors budgetary worksheets. The worksheets are used as a tool for department directors to provide their projections for the current year and the next year. Also, worksheets allow for multi-year planning. The County utilizes Target Based budgeting for their new budget process.
2. The County Manager and Finance Director in conjunction with the Commissioners interview all department directors to discuss their budgets as submitted and allow them to substantiate projected revenues and expenditures.
3. The Finance Department assembles the preliminary projections of revenues and expenditures into a formal budget incorporating any revisions or adjustments resulting from the Commissioner's review.
4. Public meetings are conducted on the proposed budget. The proposed budget is available for public inspection for 20 days prior to final adoption.
5. After the 20-day inspection period, but prior to December 31, the County Commissioners adopt the final budget by enacting an appropriate resolution.
6. Formal budgetary process is employed as a planning device. The adopted budget is on a basis consistent with GAAP. Budget amounts are as originally adopted, or as amended by the County Commissioners.

Level of Control

The County maintains budgeting control at the individual fund level.

Lapsing of Appropriations

Unexpended appropriations lapse at year-end.

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

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

G) Budgets and Budgetary Accounting (Continued)

Management Authority

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

H) Adoption of Governmental Accounting Standards Board Statements

The County adopted the provisions of GASB Statement No. 67 "*Financial Reporting for Pension Plans – an amendment to GASB Statement No. 25*". The adoption of this statement had no effect on previously reported amounts.

The County adopted the provisions of GASB Statement No. 69, "*Government Combinations and Disposals of Government Operations*". The adoption of this statement had no effect on previously reported amounts.

The County adopted the provisions of GASB Statement No. 70, "*Accounting and Financial Reporting for Nonexchange Financial Guarantees*". The adoption of this statement had no effect on previously reported amounts.

I) Pending Changes in Accounting Principles

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

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

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

In June 2015, the GASB issued Statement No. 73, "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*." The County is required to adopt statement No. 73 for its calendar year 2016 financial statements.

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

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

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

l) Pending Changes in Accounting Principles (Continued)

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

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

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

NOTE 2: DEPOSIT AND INVESTMENT RISK

The County's investments at December 31, 2014 were as follows:

Governmental Funds

General Fund

CD's \$ 4,062,978

Conservation District

CD's 397,475

Mutual Funds 426,902

Total Governmental Funds 4,887,355

Government-Wide Funds

Investment Derivative 590,085

Total Primary Government Investments \$ 5,477,440

As of December 31, 2014, the County had the following debt investments and maturities within its excess operating fund accounts:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More Than 10
Certificates of Deposit	\$ 4,460,453	\$ 2,842,661	\$ 1,168,792	\$ 449,000	\$ -
Fixed Income Mutual Funds	98,678	43,658	55,020	-	-
Mutal Funds	328,224	N/A	N/A	N/A	N/A
Investment Derivative	590,085	-	-	-	590,085
Total	\$ 5,477,440	\$ 2,886,319	\$ 1,223,812	\$ 449,000	\$ 590,085

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

NOTE 2: DEPOSIT AND INVESTMENT RISK (CONTINUED)

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

See Note 10 for information on interest and credit risk for the County's derivative instruments.

Credit Risk: The County's investment policy limits investments to direct obligations of the United States Government or its agencies; local agency demand deposits, certificates of deposit; Ginnie Mae, Fannie Mae, Freddie Mac, and obligations secured by these agencies; mutual funds; corporate bonds rated A or higher by Standard & Poors or Moody's; commercial paper which is eligible for purchase by the discount window of the Federal Reserve Bank and has a rating of A-1 by Moody's or P-1 by Standard & Poors; bankers acceptances which are eligible for purchase by the discount window of the Federal Reserve Bank; repurchase agreements having a maturity of less than 30 days; and passbook savings account demand deposits and money market accounts. \$43,658 (44%), \$43,464 (44%), and \$11,556 (12%) of the County investments in fixed income mutual funds as of December 31, 2014 were rated BBB, B and not rated respectively.

Custodial Credit Risk: For deposits and investments, custodial credit risk is the risk that in the event of the failure of the counterparty, the County, will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At December 31, 2014, \$27,336,528 of the County's bank deposits of \$28,444,458 were exposed to custodial credit risk, as they are collateralized with securities held by the pledging financial institution and uninsured. At December 31, 2014, \$2,518,978 of the County's investments in a certificate of deposit was exposed to custodial credit risk, as they are collateralized with securities held by the pledging financial institution and uninsured. The County does not have a written policy to limit its exposure to custodial credit risk.

Concentration of Credit Risk: The County has no formal policy for investments pertaining to concentration of credit risk. At December 31, 2014, the County was not exposed to concentration of credit risk.

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

NOTE 3: RESTRICTED ASSETS

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

General Fund	
Amount established to provide a source of funds for noncash workers' compensation claims.	\$ 42,305
Cash Restricted for Escrow Accounts	434,969
Cash Restricted for Debt Service	1,113,138
Cash Restricted for Program Purposes	10,445
Other Governmental Funds	
Conservation District	
Cash Restricted for Stream & Watershed Preservation	60,900
Investments Restricted for Stream & Watershed Preservation	436,902
Capital Project GO Note 2009 Fund	
Cash Restricted for Construction	781,354
Capital Project GO Note 2013 Fund	
Cash Restricted for Construction	<u>2,413</u>
Subtotal Governmental Funds	<u>2,882,426</u>
911 Fund	
Cash for Construction	<u>612,867</u>
Subtotal Proprietary Funds	<u>612,867</u>
Total Restricted Assets	<u><u>\$3,495,293</u></u>

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

NOTE 4: REAL ESTATE TAXES

Real estate taxes attach as an enforceable lien on property on January 1. Taxes are billed on or about March 1, payable under the following terms: 2% discount, March 1 through April 30; face amount, May 1 through June 30, and 10% penalty after June 30. The County bills these taxes which are collected by elected local tax collectors. The County collects delinquent real estate taxes on behalf of itself and other taxing authorities. Real estate taxes levied for 2014 are recorded as receivables, net of estimated uncollectibles. The net receivables collected during 2014 and expected to be collected within the first sixty (60) days of 2015 are recognized as revenue in 2014. Net receivables estimated to be collectible subsequent to March 31 are reflected in deferred revenue. Prior years' levies are recorded using these same principles, and remaining receivables are annually reevaluated as to collectibility.

The rate of taxation in 2014 was 3.4371 mills for general purposes, .1147 mills for library purposes, and .3675 mills for public safety purposes.

NOTE 5: CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
<u>GOVERNMENTAL ACTIVITIES:</u>				
Capital Assets, Not Being Depreciated:				
Land	\$ 896,241	\$ -	\$ -	\$ 896,241
Agricultural Easements	9,353,933	1,331,822	-	10,685,755
Total Capital Assets, Not Being Depreciated	10,250,174	1,331,822	-	11,581,996
Capital Assets, Being Depreciated:				
Infrastructure	7,486,218	-	-	7,486,218
Buildings and Improvements	48,258,783	19,089	-	48,277,872
Equipment and Vehicles	7,850,889	185,131	-	8,036,020
Total Capital Assets Being Depreciated	63,595,890	204,220	-	63,800,110
Less Accumulated Depreciation For:				
Infrastructure	(3,472,058)	(133,936)	-	(3,605,994)
Buildings and Improvements	(14,632,699)	(1,206,540)	-	(15,839,239)
Equipment and Vehicles	(6,528,922)	(373,310)	-	(6,902,232)
Total Accumulated Depreciation	(24,633,679)	(1,713,786)	-	(26,347,465)
Total Capital Assets, Being Depreciated, Net	38,962,211	(1,509,566)	-	37,452,645
Governmental Activities Capital Assets, Net	\$49,212,385	\$ (177,744)	\$ -	\$49,034,641

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

NOTE 5: CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
<u>BUSINESS-TYPE ACTIVITIES:</u>				
Capital Assets, Not Being Depreciated:				
Land	\$ 51,041	\$ -	\$ -	\$ 51,041
Construction in Progress	10,308,547	9,298,144	-	19,606,691
Total Capital Assets, Not Being Depreciated	<u>10,359,588</u>	<u>9,298,144</u>	-	<u>19,657,732</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	5,812,788	-	-	5,812,788
Equipment and Vehicles	2,081,968	-	-	2,081,968
Total Capital Assets Being Depreciated	<u>7,894,756</u>	-	-	<u>7,894,756</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	(1,449,017)	(145,320)	-	(1,594,337)
Equipment and Vehicles	(1,423,127)	(196,658)	-	(1,619,785)
Total Accumulated Depreciation	<u>(2,872,144)</u>	<u>(341,978)</u>	-	<u>(3,214,122)</u>
Total Capital Assets, Being Depreciated, Net	<u>5,022,612</u>	<u>(341,978)</u>	-	<u>4,680,634</u>
Business-Type Activities Capital Assets, Net	<u>\$15,382,200</u>	<u>\$8,956,166</u>	\$ -	<u>\$24,338,366</u>

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

GOVERNMENTAL ACTIVITIES:

General Government-Admin.	\$ 503,114
General Government-Judicial	37,716
Public Safety	1,027,675
Public Works	133,936
Human Services	4,443
Conservation and Development	6,902
	<u>6,902</u>

Total Depreciation Expense – Governmental Activities \$1,713,786

BUSINESS-TYPE ACTIVITIES:

Emergency 911 System \$ 341,978

Total Depreciation Expense – Business-Type Activities \$ 341,978

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

NOTE 6: PENSION PLAN

Plan Description

The County contributes to the Pennsylvania Municipal Retirement System defined benefit plan ("PMRS"), an agent multiple-employer public employee retirement system, that acts as a common investment and administrative agent for certain municipalities in the Commonwealth of Pennsylvania. All full-time County employees are eligible to participate in the plan after a probationary period. Benefits vest after 5 years of full-time service. The pension plan provides retirement, disability, and death benefits to plan members and beneficiaries. Under the Pennsylvania Municipal Retirement Law, Act of 1974, P.L. 34, No. 15 (the "Act"), each individual municipality has authority to establish or amend its respective benefits and employee contribution rates subject to the Pennsylvania Municipal Retirement Board approval. PMRS issues a publicly available financial report that includes financial statements and required supplementary information for PMRS. That report may be obtained by writing to the Pennsylvania Municipal Retirement System, P.O. Box 1165, Harrisburg, PA 17108-1165.

Funding Policy

The County employees are mandated to contribute at least 6% of their wages, while the County's contributions are determined by an actuarial valuation by PMRS. The contribution requirements of plan members and the County are established and may be amended by the PMRS Board of Trustees.

The following Schedules of Funding Progress present multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Schedule of Funding Progress for the Pennsylvania Municipal Retirement System for the County

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/02	\$19,085,700	\$14,856,680	\$(4,229,020)	128.47%	\$ 9,037,077	(46.80)%
1/1/04	22,175,470	18,836,700	(3,338,770)	117.72%	12,245,540	(27.27)%
1/1/06	25,766,404	24,269,489	(1,496,915)	106.17%	14,160,080	(10.57)%
1/1/08	31,121,218	31,846,302	725,084	97.72%	16,232,700	4.47%
1/1/10	36,961,882	37,222,413	260,531	99.30%	17,112,340	1.52%
1/1/12	60,224,449	58,602,805	(1,621,644)	102.77%	17,801,909	(9.11)%

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

NOTE 6: PENSION PLAN (CONTINUED)

Annual Pension Cost

For 2014, the County's annual pension cost of \$1,345,330 was equal to the County's required and actual contributions. The required contribution was determined as part of the January 1, 2012, actuarial valuation using the entry age normal cost method. The significant actuarial assumptions include (a) a 5.5% investment rate of return, (b) projected salary increases of 4.80% (c) PMRS assets were valued at fair value. The UAAL is being amortized using the level dollar method on a closed basis. The remaining amortization period at December 31, 2014 is 4.41 years.

Trend Information for the County			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/12	\$1,420,290	100%	\$ -
12/31/13	\$1,430,218	100%	\$ -
12/31/14	\$1,345,330	100%	\$ -

NOTE 7: LEASES

The County leases office space and land for 911 towers under several operating lease agreements which have expiration dates ranging from 2014 to 2033. Some of the agreements contain renewal provisions at the County's option. The County also has a lease with a related party as described in Note 19. The following is a schedule of the future minimum rental payments to be made under the various leases as of December 31, 2014:

<u>Years</u>	<u>Courts</u>	<u>Agencies</u>	<u>Total</u>
2015	\$ 34,000	\$725,160	\$ 759,160
2016	34,000	519,515	553,515
2017	34,000	251,204	285,204
2018	34,000	257,588	291,588
2019	34,000	264,164	298,164
2020-2024	-	1,268,893	1,268,893
2025-2029	-	1,273,325	1,273,325
2030-2034	-	560,091	560,091
	\$170,000	\$5,119,940	\$5,289,940

Rent expense for 2014 was \$803,533.

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

NOTE 8: RISK MANAGEMENT

For periods prior to January 1, 1999, the County is exposed to the risk of loss related to self-insurance activities for workers' compensation and maintains workers' compensation reserves for claims incurred and claims incurred but not reported in the General Fund for the open claims. Effective January 1, 1999, the County participates in the Pennsylvania Counties Workers Compensation Trust (the "Trust") insurance pool for workers' compensation insurance. Insurance premiums are developed based on employee job descriptions, rate factors, and payroll costs for the year. For the year ended December 31, 2014, the County was required to pay an insurance premium of \$811,047 to the Trust. The Trust has an audit performed each year and the County may be required to pay an additional premium or entitled to a refund as a result of the audit. For the 2014 Trust audit, the County owed a premium of \$6,059.

There have been no significant changes in insurance coverage in the past three years and settled claims have not exceeded the commercial coverage in those years.

The following summary provides aggregate information on workers' compensation self-insurance liability; incurred claims and payments during the years ended December 31, 2013 and 2014, and the reported workers' compensation self-insurance liability at December 31, 2013 and 2014.

December 31, 2012 <u>Liability</u>	Current Year Claims and Changes <u>in Estimates</u>	Claim <u>Payments</u>	December 31, 2013 <u>Liability</u>
\$15,449	-	(\$634)	\$14,815
<hr/>			
December 31, 2013 <u>Liability</u>	Current Year Claims and Changes <u>in Estimates</u>	Claim <u>Payments</u>	December 31, 2014 <u>Liability</u>
\$14,815	(14,815)	-	\$0
<hr/>			

NOTE 9: DEFICIT FUND EQUITY

The 2013 Capital Projects Fund had a deficit balance in unassigned fund balance of \$392,040. The deficit balance was due to the County accrued expenditures for the fund but did not drawdown bond proceeds to fund the expenditures as of December 31, 2014.

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

NOTE 10: LONG-TERM DEBT

A summary of changes in long-term debt follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<u>Governmental Activities:</u>					
Bonds and Loans Payable:					
General obligation debt	\$41,983,941	28,758,891	29,320,433	\$41,422,399	2,786,488
Guaranteed revenue bonds	764,534	-	764,534	-	-
Loan payable	130,275	-	97,765	32,510	29,510
Plus: Bond Premium	400,039	-	17,393	382,646	17,396
Total Bonds and Loans Payable:	<u>43,278,789</u>	<u>28,758,891</u>	<u>30,200,125</u>	<u>41,837,555</u>	<u>2,833,394</u>
Other Long Term Liabilities:					
Compensated absences	997,347	3,317	-	1,000,664	-
Total Other Long Term Liabilities	<u>997,347</u>	<u>3,317</u>	<u>-</u>	<u>1,000,664</u>	<u>-</u>
Governmental Activities: Long-Term Liabilities	<u>\$44,276,136</u>	<u>28,762,208</u>	<u>30,200,125</u>	<u>\$42,838,219</u>	<u>2,833,394</u>
<u>Business-Type Activities:</u>					
Bonds Payable:					
General Obligation debt	\$23,450,676	\$ 1,265,731	\$1,839,567	\$22,876,840	\$921,512
Plus: Bond Premium	569,999	-	24,782	545,217	24,782
Total Bonds Payable	<u>24,020,675</u>	<u>1,265,731</u>	<u>1,864,349</u>	<u>23,422,057</u>	<u>946,294</u>
Other Liabilities:					
Compensated absences	55,440	-	1,203	54,237	-
Total Other Liabilities	<u>55,440</u>	<u>-</u>	<u>1,203</u>	<u>54,237</u>	<u>-</u>
Business-Type Activities Long-Term Liabilities	<u>\$24,076,115</u>	<u>\$ 1,265,731</u>	<u>\$1,865,552</u>	<u>\$23,476,294</u>	<u>\$946,294</u>

The compensated absences liability is liquidated by the General Fund, Children & Youth Fund, Domestic Relations Fund, and certain other nonmajor funds.

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

NOTE 10: LONG-TERM DEBT (Continued)

Pertinent information regarding general obligation debt outstanding is presented below (payable from General Fund Tax Revenues):

General Obligation Bonds and Guaranteed Revenue Bonds-Governmental Activities:

<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Purpose</u>	<u>Balance Outstanding at December 31, 2014</u>
2006	\$600,000	Loan payable with the Pennsylvania Infrastructure Bank for a bridge project (final maturity in 2016). The loan bears a fixed interest rate of 4.04%.	\$ 32,510
2012	\$37,135,000	General Obligation Bonds, Series of 2012 issued for the purpose of refunding the 2003 Bonds, 2007 Notes, 2009 Notes, and to fund an emergency management project. (\$15,314,310 – Governmental activities, \$21,820,690 – Business type). The notes bear an interest rate between .30% and 4.0% (final maturity occurs in 2037).	\$13,646,105
2013	\$10,000,000	General Obligation Notes, Series of 2013 issued for the purpose of advancing funds to the Adams County IDA and capital improvements. The notes bear an interest rates between 1.75% and 2.25% (final maturity occurs in 2023).	\$1,150,195
2014	\$28,605,000	General Obligation Bonds, Series 2014 issued for the purpose of currently refunding the Series 2011 Notes (\$27,670,891- Governmental Activities, \$934,109 – Business-type). The bonds bear interest rate based on an index rate equal to a percentage of LIBOR plus an applicable spread as set forth (final maturity occurs in 2031).	\$26,626,099
			\$41,454,909

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

NOTE 10: LONG-TERM DEBT (Continued)

General Obligation Bonds and Guaranteed Revenue Bonds-Governmental Activities
(Continued):

In March 2012, the County issued General Obligation Bonds, Series of 2012, in the amount of \$37,135,000. The principal of these bonds is payable in installments from \$240,000 in 2012 to \$1,810,000 in 2027. The bonds bear interest rates ranging between .30% and 4.0%. The proceeds of the bonds were used to currently refund the 2003 general obligation bonds, the 2007 general obligation notes, the 2009 general obligation notes, fund an emergency management project and pay issuance costs of \$513,425 (\$211,734 for governmental activities and \$301,691 for business-type activities). The general obligation bonds had a bond premium of \$1,054,390 (\$434,826 for governmental activities and \$619,564 for business-type activities). The bonds refunded \$15,483,735 of Governmental Activities and \$2,077,764 of Business-Type Activities General Obligation Debt, respectively. The County recorded a deferred loss on the refunding of \$224,212 in the Statement of Net Position (\$188,266 for the governmental activities and \$35,946 for the business-type activities). The bonds decreased debt service payments for the County by \$1,930,451 and resulted in an economic gain of \$1,348,240. The principal balance outstanding on the bonds at December 31, 2014 was \$33,955,000 (\$13,646,105 for governmental activities and \$20,308,895 for business-type activities).

In November 2013, the County issued General Obligation Notes, Series A and B of 2013, in the principal amounts of \$1,088,000 and \$8,912,000, respectively. The Series A Note bears an interest rate equal to 2.25% above the two year Amortizing for Advance Rate for Fixed Advances. The Series B Note bears an interest rate equal to 1.75% above 66% of the seven year Amortizing Advance Rate for Fixed Rate Advances. The proceeds of the Series A Note are to be used to provide funds to the Adams County Industrial Development Authority for the development of economic projects located within the County. The proceeds of the Series B Note are to be used for the purchase and acquisition of real property located within the County, motor vehicles for County services, the planning and design of capital additions and improvements, and initial training in the use of the Emergency Services Project. The County is able to draw funds as needed and as of December 31, 2014 the amount drawn down was \$1,150,195. The principal balance of the A and B Notes at December 31, 2014 were \$1,088,000 and \$62,195, respectively.

In September 2014, the County issued General Obligation Bonds, Series of 2014, in the principal amount of \$28,605,000. The bonds bear an interest rate based on an index rate equal to a percentage of LIBOR plus an applicable spread as set forth. The proceeds of the bonds are to be used to currently refund the 2011 Notes and pay issuance costs of \$96,797. The Bonds refunded \$27,670,891 of Governmental Activities and \$934,109 of Business-Type Activities General Obligation Debt, respectively. The principal balance outstanding on the bonds at December 31, 2014 was \$27,525,000 (\$26,626,099 for governmental activities and \$898,901 for business-type activities).

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

NOTE 10: LONG-TERM DEBT (Continued)

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

Years Ended December 31:	<u>Principal Requirements</u>	<u>Interest Requirements</u>	<u>Total Debt Service Requirements</u>
2015	\$ 2,815,998	\$ 764,627	\$ 3,580,625
2016	1,768,560	705,769	2,474,329
2017	1,827,711	677,279	2,504,990
2018	1,896,762	650,162	2,546,924
2019	1,970,651	618,842	2,589,493
2020-2024	11,031,713	2,464,044	13,495,747
2025-2029	12,577,315	1,386,620	13,963,935
2030-2034	6,377,944	554,823	6,932,767
2035+	1,188,255	92,258	1,280,513
	<u>\$41,454,909</u>	<u>\$7,914,424</u>	<u>\$49,369,333</u>

General Obligation Bonds-Business-Type Activities:

<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Purpose</u>	<u>Balance Outstanding at December 31, 2014</u>
2012	\$37,135,000	General Obligation Bonds, Series of 2012 issued for the purpose of refunding the 2003 Bonds, 2007 Notes, 2009 Notes, and to fund an emergency management project. (\$15,314,310 – Governmental activities, \$21,820,690 – Business type). The notes bear an interest rate between .30% and 4.0% (final maturity occurs in 2037).	\$20,308,895
2013	\$1,750,000	General Obligation Note, Series of 2013 is used for the purpose of property and demolition of existing buildings. For the first 18 month the note bears an interest rate of 4.1% with interest only payments. Beginning June 1, 2018 the interest rate is adjusted to the prime rate. The maturity of the note is 2028.	\$1,669,044
2014	\$28,605,000	General Obligation Bonds, Series 2014 issued for the purpose of currently refunding the Series 2011 Notes (\$27,670,891- Governmental Activities, \$934,109 – Business-type). The bonds bear interest rate based on an index rate equal to a percentage of LIBOR plus an applicable spread as set forth (final maturity occurs in 2031).	\$898,901
			<u>\$ 22,876,840</u>

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

NOTE 10: LONG-TERM DEBT (Continued)

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

Years Ended December 31:	<u>Principal Requirements</u>	<u>Interest Requirements</u>	<u>Total Debt Service Requirements</u>
2015	\$ 921,512	\$ 820,312	\$ 1,741,824
2016	1,046,167	793,440	1,839,607
2017	1,078,587	762,083	1,840,670
2018	1,114,279	732,900	1,847,179
2019	1,150,016	731,404	1,881,420
2020-2024	6,231,635	2,863,958	9,095,593
2025-2029	5,725,127	1,560,206	7,285,333
2030-2034	3,132,056	748,750	3,880,806
2035-2038	2,477,461	132,761	2,610,222
	<u>\$ 22,876,840</u>	<u>\$ 9,145,814</u>	<u>\$ 32,022,654</u>

In 2002, the County defeased the 2001 general obligation bonds by placing the proceeds of the 2002 general obligation bonds in an irrevocable trust to provide for all future debt service payments on the 2001 bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the accompanying financial statements. At December 31, 2014, the principal amount outstanding relative to the defeased debt was \$26,160,000.

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

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

Years Ended December 31:	<u>Principal Requirements</u>	<u>Interest Requirements</u>	<u>Hedging Derivatives Net</u>	<u>Total</u>
2015	\$ 1,120,000	\$ 215,993	\$ 498,882	\$ 1,834,875
2016	1,165,000	206,463	478,583	1,850,046
2017	1,210,000	196,565	457,467	1,864,032
2018	1,260,000	186,259	435,537	1,881,796
2019	1,315,000	175,502	412,699	1,903,201
2020-2024	7,530,000	698,326	1,683,785	9,912,111
2025-2029	9,475,000	332,953	934,328	10,742,281
2030-2031	4,450,000	34,506	121,889	4,606,395
	<u>\$ 27,525,000</u>	<u>\$ 2,046,567</u>	<u>\$ 5,023,170</u>	<u>\$ 34,594,737</u>

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

NOTE 11: INTEREST RATE SWAPS

Derivative Instruments

The fair value balances and notional amounts of derivative instruments outstanding at December 31, 2014, classified by type, and the changes in fair values of such derivative instruments for the year then ended as reported in the 2014 financial statements are as follows:

	Current Notional Amount	Fair Value at December 31, 2014		Changes in Fair Value	
		Classification	Amount	Classification	Amount
Governmental Activities					
Cash Flow Hedges:					
2008 Fixed Pay Swap	\$27,525,000	Debt	\$ (353,343)	Deferred Inflow	\$353,343
Investment Derivative:					
2005 Basis Swap	\$27,525,000	Investment	\$ 590,085	Unrestricted Investment Income	\$543,633

Fair Values

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

Objective and terms of derivative instruments

2005 Basis Swap- In March 2005, the County entered into a Basis Swap agreement with Wachovia Bank as the Counterparty in relation to the County's General Obligation Bonds, Series of 2002 in the then outstanding notional amount of \$34,825,000. The 2005 Basis Swap consists of an interest rate swap agreement whereby the County receives from the Counterparty an interest rate equal to 65% of 1 month LIBOR plus 30 basis points (.30%) and is obligated to pay the Counterparty an interest rate equal to the short term tax exempt rate Bond Market Association index (BMA). In consideration for this monthly exchange formula, the County received an up-front payment in the amount of \$1,190,000. This amount is considered as borrowing and it is reported at the historical cost of \$1,190,000. As payments are made on the swap, principal and interest payments on the borrowing are imputed. Interest income is accrued at the at the market rate used to arrive at the initial balance of the borrowing (2.47783%). The swap is now associated with the General Obligation Bonds, Series of 2014. At December 31, 2014, the swap consisted of an investment derivative with a value of \$590,085 and a borrowing of (\$842,581) for a net fair value of (\$252,496).

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

NOTE 11: INTEREST RATE SWAPS (CONTINUED)

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

In October 30, 2014, the County issued General Obligation Bonds, Series of 2014 which refunded the General Obligation Notes, Series of 2011. The 2008 Fixed Pay Swap is now associated with the General Obligation Bonds, Series of 2014. The deferred outflow of resources balance of the swap at the time of refunding is being amortized over the life of the bonds and is recorded as deferred outflow of resources in the statement of net position. At December 31, 2014, the swap consisted of an hedging derivative instrument with a value of (\$353,343) and a borrowing of (\$6,137,108) for a net fair value of (\$6,490,451).

Derivative Instrument Risks

Credit Risk. As of December 31, 2014, the County was not exposed to credit risk because the swaps had negative fair values. However, should interest rates change and the fair value of the swaps become positive, the County would be exposed to credit risk in the amount of the derivatives fair value. As of December 31, 2014, the Counterparty was rated Aa3 by Moody's, AA- by Standard and Poors and AA- by Investors Services.

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

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

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

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

NOTE 11: INTEREST RATE SWAPS (CONTINUED)

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

Market Access Risk. The County is exposed to market access risk as it may be unable to access debt markets in the future. This risk is subject to overall general market conditions and is mitigated to some degree by the fact that the County currently has a Aa3 rating and should therefore be able to procure debt financing and bond insurance if necessary at competitive rates in the future.

NOTE 12: GUARANTEED DEBT

The County had guaranteed the repayment of the Adams County Conservation District Guaranteed Revenue Bond, Series of 1999 in the amount of \$3,600,000 with payments due monthly beginning on July 1, 2000 through July 1, 2024 at an interest rate of 5.05% per annum. In June of 2014 the County paid off the outstanding amount of the bond with a payment of \$694,307, in exchange for a reduced rent for County offices. The balance of the bonds at December 31, 2014 was \$0.

NOTE 13: INTERFUND OPERATING TRANSFERS

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

	Transfers In	Transfers Out
General Fund	\$2,070,289	\$2,014,807
Children and Youth	949,030	-
Domestic Relations Fund	301,738	1,138,955
Other Governmental Funds	1,278,438	1,478,070
	<hr/>	<hr/>
Total Governmental Fund Types	4,599,495	4,631,832
Enterprise Fund:		
911 Emergency Telephone	35,916	3,579
	<hr/>	<hr/>
Total Enterprise Fund	35,916	3,579
	<hr/>	<hr/>
	\$4,635,411	\$4,635,411

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

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

NOTE 14: INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables balances of each individual fund as of December 31, 2014, are as follows:

<u>Governmental Fund Types</u>	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$3,834,107	\$ 1,744,323
Children and Youth Fund	1,070,922	752,487
Domestic Relations Fund	199,783	514,518
Other Governmental Funds	473,087	842,828
Total Government Fund Types	<u>5,577,899</u>	<u>3,854,156</u>
 <u>Proprietary Fund Type</u>		
Enterprise Fund		
911 Emergency Telephone	532	1,724,275
Total Proprietary Fund Type	<u>532</u>	<u>1,724,275</u>
Total	<u>\$5,578,431</u>	<u>\$5,578,431</u>

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

NOTE 15: COMMITMENTS AND CONTINGENCIES

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

NOTE 16: COMPENSATED ABSENCES

Employees of the County are entitled to certain compensated absences, consisting of paid time off ("PTO") and sick leave. All full-time employees are eligible to accrue PTO, beginning the first day of employment. PTO hours are accrued based on the number of nonovertime hours paid. At year-end, employees may carry over a maximum of 200 hours of unused PTO. At year-end, any unused PTO in excess of 200 hours is placed in the sick leave reserves for employees. Sick leave reserves are not eligible for reimbursement upon termination or retirement from employment.

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

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

NOTE 17: RESTRICTED FUND BALANCES/NET POSITION

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

Governmental Funds

General Fund

<u>Nonspendable</u>	<u>\$ 680,101</u>
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This line item represents amounts for prepaid expenses and receivables.

<u>Restricted</u>	<u>\$ 1,155,443</u>
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This line item represents amounts for debt service and workers compensation claims.

Nonmajor Funds

Capital Project G.O. Note 09 Fund

<u>Restricted</u>	<u>\$ 781,354</u>
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This line item represents amounts restricted for capital projects.

Capital Project Series 2013 Fund

<u>Nonspendable</u>	<u>\$ 1,088,000</u>
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This line item represents amounts for a loan receivable.

Nonspendable

<u>Act 137 Fund</u>	<u>\$ 70,012</u>
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This line item represents amounts for notes receivable.

Restricted

<u>Liquid Fuels Tax</u>	<u>\$ 433,879</u>
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This line item represents amounts that are restricted by grantors for the future payments of expenditures for the building and improvement of roads and bridges.

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

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

Nonmajor Governmental Funds (Continued)

Restricted (Continued)

<u>Act 13 Fund</u>	<u>\$ 187,678</u>
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This line item represents amounts that are restricted for the expenditures of Act 13 funding.

<u>Juvenile Court Fund</u>	<u>\$ 2</u>
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This line item represents amounts that are restricted for the juvenile court fund.

<u>Records Improvement</u>	<u>\$ 438,447</u>
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This line item represents amounts that are restricted for improvements in the Recorder of Deeds' Office.

<u>Home Fund</u>	<u>\$ 424</u>
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This line item represents amounts that are restricted by grantors for future expenditures community rehab projects.

<u>Act 137</u>	<u>\$ 538,646</u>
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This line item represents amounts collected from the recording of fees for mortgages and deeds to enhance local affordable housing efforts.

<u>Hotel Tax</u>	<u>\$ 1,374,103</u>
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This line item represents amounts that are restricted for the levying and setting of Hotel room rental tax required for the specific purpose of the County government.

<u>Court Reserved Fund</u>	<u>\$ 273,189</u>
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This line item represents amounts that are restricted to track court related revenues such as Offender Supervision fees, treatment fees, and Youth offender education fees.

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

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

Nonmajor Governmental Funds (Continued)Restricted (Continued)

<u>Conservation District</u>	<u>\$ 1,592,236</u>
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This line item represents amounts that are restricted for the preservation of Adams County's natural resources, land preservation, and debt service.

<u>Coroner's VISA</u>	<u>\$ 21,138</u>
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This line item represents amounts that are restricted by grantors for purchases of equipment, training, and office and laboratory facility improvement.

<u>Law Enforcement</u>	<u>\$ 1,240</u>
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This line item represents amounts that are restricted by grantors for purchase of law enforcement equipment.

<u>Juvenile Restitution</u>	<u>\$ 62,476</u>
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This line item represents amounts that are restricted for restitution expenditures.

NOTE 18: NOTES RECEIVABLE

Notes receivable represent amounts loaned to qualified County residents for Affordable Housing that are to be repaid to the County. The notes receivable balances consist of the following at December 31, 2014:

<u>Program</u>	<u>Balance Outstanding December 31, 2014</u>
Original note amount of \$25,000 issued August 15, 2000 for home repairs with an interest rate of 1% per annum due in monthly installments of principle and interest of \$94 commencing on October 1, 2000 through and including September 1, 2025.	\$ 22,231
Original note amount of \$90,000 issued in 2005 for home repairs with an interest rate of 1% per annum due in monthly installments of principal and interest of \$414 commencing in February, 2005 through and including January, 2025.	\$ 47,782
Original note amounts ranging from \$4,625 to \$25,000 issued from November 2003 through August 2020 for home repairs and improvements. The loans are forgiven at the rate of 10% each year for ten years. If the property is sold, transferred or vacated before the end 10 years, the unforgiven portion of the loan must be repaid.	\$ 113,718
Original mortgage note amount of \$260,000 issued in 2006 at an interest rate of 3% per annum due in monthly installments of principal and interest of \$1,232.96 commencing in July, 2006 through and including June, 2031.	<u>\$135,470</u>
Total Notes Receivable	<u>\$319,201</u>

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

NOTE 19: LOANS RECEIVABLE

The County loaned or paid funds to/on behalf of the Adams County Industrial Development Authority and the Adams County Economic Development Authority. The funds loaned are secured by RACP grants that will be passed through to the County when the Authorities receive them. The balance outstanding as of December 31, 2014 was \$1,576,127.

NOTE 20: RELATED PARTY TRANSACTIONS

On June 28, 2000, the County entered into a lease agreement with the Conservation District, where the District leases to the County 20,248 square feet in the Adams County Agricultural and Natural Resource Center for 25 years commencing on July 1, 2000. The rent is payable on or before the 25th of the previous month with the initial rent being fixed for the first year. After the first year and each successive year, the rent may be increased or decreased based on the changes in costs associated with the operation and maintenance of the Center or changes in debt service requirements.

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

Rent expense for 2014 was \$217,769.

NOTE 21: POST-EMPLOYMENT BENEFIT PLAN

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

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

Funding Policy. Retired members must pay the premiums for coverage elected under the plan. Failure to pay the required premium will result in cancellation of the insurance. The County may charge an administrative fee in addition to the retired member's monthly premium. The County funds the Plan on a pay-as-you-go basis. For 2014, the County's contribution to the plan for current estimated premiums was \$28,817 using the implicit rate subsidy.

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

NOTE 21: POST-EMPLOYMENT BENEFIT PLAN (CONTINUED)

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

	<u>Governmental Activities</u>
Annual required contribution	\$ 85,971
Interest on Net OPEB obligation	7,265
ARC Adjustment	<u>(12,946)</u>
OPEB Cost	80,290
Estimated contributions made	<u>(28,817)</u>
Increase in net OPEB obligation	51,473
Net OPEB obligation – beginning of year	<u>181,625</u>
Net OPEB obligation – end of year	<u>\$ 233,098</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contribution to the plan, and the net OPEB obligation for 2012, 2013, and 2014 were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2012	\$ 99,477	53.68%	\$ 135,569
12/31/2013	\$ 103,360	55.44%	\$ 181,625
12/31/2014	\$ 80,290	35.89%	\$ 233,098

Funded Status and Funding Progress. As of January 1, 2014 the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$840,105 and there were no assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$840,105. The covered payroll (annual payroll of active employees covered by the plan) was \$18,477,922, and the ratio of the UAAL to the covered payroll was 4.5%.

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

NOTE 21: POST-EMPLOYMENT BENEFIT PLAN (CONTINUED)

Funded Status and Funding Progress (Continued)

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

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

In the January 1, 2014 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.0% investment rate of return, which is the expected long-term investment yield on the investments that are expected to be used to finance the payments of benefits, a health care cost trend rate of 8% initially, reduced by decrements to an ultimate rate of 6% after 3 years. Active plan members' salaries are assumed to increase by 4.0% per year. The UAAL is being amortized using the level dollar method on a closed basis. The remaining amortization period at December 31, 2014 was 28 years.

NOTE 22 EXCESS EXPENDITURES OVER APPROPRIATION

The following major funds had an excess of actual expenditures over budget for the year ended December 31, 2014:

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Percent of Excess over Appropriations</u>
General Fund	\$ 40,661,297	\$ 68,471,348	68.4%
Domestic Relations Fund	\$ -	\$ 101,955	100.0%
Managed Care Fund	\$ 11,800,000	\$ 12,171,672	3.1%

The excess of expenditures over appropriations for the General Fund was primarily due to the recording of the 2014 bonds. These expenditures are offset by bond proceeds recorded as other financing sources/uses. The excess of expenditures over appropriations for the Domestic Relations Fund and Managed Care Fund were funded by greater than anticipated revenues.

**REQUIRED
SUPPLEMENTAL
INFORMATION**

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2012	\$ -	\$ 946,380	\$ 946,380	0%	\$ 16,289,890	5.8%
1/1/2013	\$ -	\$ 1,070,589	\$ 1,070,589	0%	\$ 16,875,270	6.3%
1/1/2014	\$ -	\$ 840,105	\$ 840,105	0%	\$ 18,477,922	4.5%

COUNTY OF ADAMS
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 35,523,405	\$ 35,523,405	\$ 35,903,096	\$ 379,691
Intergovernmental Revenues	2,197,139	2,197,139	2,311,690	114,551
Charges for Services	4,166,788	4,166,788	5,264,882	1,098,094
Interest and Rents	27,115	27,115	73,062	45,947
License and Permits	111,050	111,050	111,694	644
Court Costs and Fines	597,800	597,800	615,180	17,380
Other	113,441	113,441	1,081,260	967,819
Total Revenues	42,736,738	42,736,738	45,360,864	2,624,126
Expenditures				
Current:				
General Government - Administrative	11,275,485	11,275,485	11,481,295	(205,810)
General Government - Judicial	6,122,048	6,122,048	6,022,663	99,385
Public Safety	15,285,393	15,285,393	15,126,874	158,519
Human Services	1,506,872	1,506,872	1,827,210	(320,338)
Culture and Recreation	609,710	609,710	658,961	(49,251)
Conservation and Development	1,255,376	1,255,376	578,884	676,492
Debt Service				
Principal	877,602	877,602	30,016,726	(29,139,124)
Interest	3,728,811	3,728,811	1,985,963	1,742,848
Capital Outlay	-	-	772,772	(772,772)
Total Expenditures	40,661,297	40,661,297	68,471,348	(27,810,051)
Excess of Revenues Over (Under) Expenditures	2,075,441	2,075,441	(23,110,484)	(25,185,925)
Other Financing Sources (Uses)				
Operating Transfer In	1,869,985	1,869,985	2,070,289	200,304
Operating Transfer (Out)	(3,984,851)	(3,984,851)	(2,014,807)	1,970,044
Issuance of refunding debt	-	-	27,670,891	27,670,891
Swap Proceeds	95,000	95,000	99,142	4,142
Total Other Financing Sources(Uses)	(2,019,866)	(2,019,866)	27,825,515	29,845,381
Net change in fund balances	55,575	55,575	4,715,031	4,659,456
Fund Balances - Beginning of Year	-	-	17,614,770	17,614,770
Fund Balances - End of Year	\$ 55,575	\$ 55,575	\$ 22,329,801	\$ 22,274,226

COUNTY OF ADAMS
 SCHEDULE FO REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 CHILDREN AND YOUTH FUND
 FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental Revenues	\$ 6,478,069	\$ 6,478,069	\$ 5,592,967	\$ (885,102)
Interest and Rents	325	325	228	(97)
Miscellaneous	98,688	98,688	102,533	3,845
Total Revenues	<u>6,577,082</u>	<u>6,577,082</u>	<u>5,695,728</u>	<u>(881,354)</u>
Expenditures				
Current:				
Human Services	<u>7,862,358</u>	<u>7,862,358</u>	<u>6,644,758</u>	<u>1,217,600</u>
Total Expenditures	<u>7,862,358</u>	<u>7,862,358</u>	<u>6,644,758</u>	<u>1,217,600</u>
Excess of Revenues Under Expenditures	<u>(1,285,276)</u>	<u>(1,285,276)</u>	<u>(949,030)</u>	<u>336,246</u>
Other Financing Sources				
Operating Transfer In	<u>1,285,276</u>	<u>1,285,276</u>	<u>949,030</u>	<u>(336,246)</u>
Total Other Financing Sources	<u>1,285,276</u>	<u>1,285,276</u>	<u>949,030</u>	<u>(336,246)</u>
Net change in fund balances	-	-	-	-
Fund Balances - Beginning of Year	-	-	-	-
Fund Balances - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

COUNTY OF ADAMS
 SCHEDULE FO REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 DOMESTIC RELATIONS FUND
 FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Budget Amounts</u>		<u>Actual</u> <u>Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental Revenues	\$ 887,049	\$ 887,049	\$ 921,212	\$ 34,163
Charges for Services	4,725	4,725	16,383	11,658
Interest and Rents	10	10	1,577	1,567
Total Revenues	<u>891,784</u>	<u>891,784</u>	<u>939,172</u>	<u>47,388</u>
Expenditures				
Current:				
Judicial	-	-	101,955	(101,955)
Total Expenditures	<u>-</u>	<u>-</u>	<u>101,955</u>	<u>(101,955)</u>
Excess of Revenues Over Expenditures	<u>891,784</u>	<u>891,784</u>	<u>837,217</u>	<u>(54,567)</u>
Other Financing Sources				
Operating Transfer In	-	-	301,738	301,738
Operating Transfer (Out)	(891,784)	(891,784)	(1,138,955)	(247,171)
Total Other Financing Uses	<u>(891,784)</u>	<u>(891,784)</u>	<u>(837,217)</u>	<u>54,567</u>
Net change in fund balances	-	-	-	-
Fund Balances - Beginning of Year	-	-	-	-
Fund Balances - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

COUNTY OF ADAMS
 SCHEDULE FO REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 MANAGED CARE FUND
 FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental Revenues	\$ 11,800,000	\$ 11,800,000	\$ 12,171,672	\$ 371,672
Total Revenues	<u>11,800,000</u>	<u>11,800,000</u>	<u>12,171,672</u>	<u>371,672</u>
Expenditures				
Current:				
Human Services	11,800,000	11,800,000	12,171,672	(371,672)
Total Expenditures	<u>11,800,000</u>	<u>11,800,000</u>	<u>12,171,672</u>	<u>(371,672)</u>
Excess of Revenues Under Expenditures	-	-	-	-
Net change in fund balances	-	-	-	-
Fund Balances - Beginning of Year	-	-	-	-
Fund Balances - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**OTHER
SUPPLEMENTAL
INFORMATION**

COUNTY OF ADAMS
 CONSERVATION DISTRICT
 BALANCE SHEET
 DECEMBER 31, 2014

Assets

Cash and Cash Equivalents	\$ 630,227
Investments	387,475
Due From Other Governments	76,732
Restricted Assets	
Cash for Stream & Watershed Preservation	60,900
Investments for Stream & Watershed Preservation	<u>436,902</u>
Total Assets	<u><u>\$ 1,592,236</u></u>

Fund Balances

Fund Balances	
Restricted for:	
Stream & Watershed Preservation	\$ 497,802
Program Purposes	<u>1,094,434</u>
Total Fund Balances	<u><u>\$ 1,592,236</u></u>

COUNTY OF ADAMS
 CONSERVATION DISTRICT
 STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE
 FOR THE YEAR ENDED DECEMBER 31, 2014

Revenues	
Intergovernmental Revenues	\$ 391,072
Charges for Services	632,375
Interest	23,425
Other	2,453
	<hr/>
Total Revenues	1,049,325
	<hr/>
Expenditures	
Current:	
Conservation and Development	1,286,731
Debt Service	
Principal	68,241
Interest	12,178
	<hr/>
Total Expenditures	1,367,150
	<hr/>
Excess of revenues Under Expenditures	(317,825)
	<hr/>
Other Financing Sources	
Operating Transfers In	427,839
	<hr/>
Total Other Financing Sources	427,839
	<hr/>
Excess of Revenues and Other Financing Sources Over Expenditures	110,014
	<hr/>
Fund Balance - Beginning of Year	1,482,222
	<hr/>
Fund Balance - End of Year	\$ 1,592,236
	<hr/> <hr/>