

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

**Financial Statements and Supplemental Schedules
Together with Reports of Independent Public Accountants**

For the Year Ended December 31, 2013

DECEMBER 31, 2013

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

County Commissioners of Northumberland County
Sunbury, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Northumberland County, Pennsylvania (the County), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents. We did not audit the financial statements of the Conservation District. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the component unit presentation of the Conservation District, is based on the report of the other auditors.

Management's Responsibility for the Financial Statements

The County's 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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.

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of December 31, 2013, 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.



Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, schedules of funding progress, employer contributions for the Employees Retirement Trust Fund and Retiree Health and Welfare Benefit Plan, and budgetary comparison information, as listed in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying combining and individual fund statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements are the responsibility of management and was derived from and relates 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 combining and individual fund statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Harrisburg, Pennsylvania
September 29, 2014

SB & Company, LLC

Shamokin, Pennsylvania
September 29, 2014

Klacik & Associates, PC

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

Management's Discussion and Analysis December 31, 2013

This management's discussion and analysis of Northumberland County's (County) financial statements is designed to introduce the basic financial statements and provide an analytical overview of the County's financial activities for the fiscal year ended December 31, 2013. The basic financial statements are comprised of the government-wide financial statements, fund financial statements, and notes to the financial statements. We hope this, in conjunction with additional information provided within the financial statements, will assist readers in identifying significant financial issues and changes in the County's financial position.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements are comprised of three components: **1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.** This report also contains **4) supplementary information** in addition to the basic financial statements themselves.

1) Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private business. The government-wide financial statements include a *statement of net position* and a *statement of activities*.

- The *statement of net position* presents information on the County's entire assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.
- The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of these financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) and activities from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

- The *governmental activities* of the County include education, general government, parks and recreation, public safety, courts, health and social services, and highway maintenance.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

Management's Discussion and Analysis December 31, 2013

1) *Government-wide Financial Statements* (continued)

- The *business-type activities* of the County include an internal service fund.

The government-wide financial statements include not only the County itself (known as the primary government), but also include the Northumberland County Conservation District and Industrial Development Authority as a legally separate component unit and is reported separately from financial information presented for the primary government itself.

2) *Fund Financial Statements*

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

- ***Governmental Funds***. Governmental funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains twenty two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General, Mental Health/Mental Retardation, Children and Youth, Debt Service, Act 35, Domestic Relations, Liquid Fuels, Weatherization, Adult Service, Emergency Management, Planning, Flood Mitigation, Area Agency on Aging, Drugs and Alcohol, Child Care Information Service, Juvenile Court, Affordable Housing, Records Improvement, Capital Projects, Emergency 911 Fund, Inmate Fund and Northumberland County Authority funds.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

Management's Discussion and Analysis December 31, 2013

2) *Fund Financial Statements* (continued)

The County adopts an annual appropriated budget for all of its governmental fund budgets.

- ***Proprietary Funds.*** When the County charges customers for a service it provides, whether to outside customers or to other units of government, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net position and the statement of activities. Proprietary funds are comprised of two types: 1) *Enterprise funds* and 2) *Internal service funds*. The County does not utilize enterprise funds. Internal service funds are used to report an activity that provides supplies and services for the government's other programs and activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

- ***Fiduciary Funds.*** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is similar to proprietary funds.

3) *Notes to the Financial Statements*

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

Management's Discussion and Analysis December 31, 2013

4) *Supplementary Information*

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's progress in funding its obligation to provide pension benefits to its employees and includes budgetary comparison schedules for the general, community partnership and highway funds.

In addition to this MD&A, required supplementary information can be found on page 55-56 and 64-66 of this report.

Financial Analysis on Government-Wide Financial Statements

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$8.1 million as of the close of the most recent fiscal year.

Northumberland County, Pennsylvania Net Position (Government-Wide)

	Governmental Activities		Change	% Change
	2013	2012		
Current and other assets	\$ 32,755,327	\$ 28,366,431	\$ 4,388,896	15.5%
Capital assets	27,645,874	22,285,709	5,360,165	24.1%
Total assets	60,401,201	50,652,140		
Other liabilities	7,138,103	5,666,248	1,471,855	26.0%
Long-term liabilities outstanding	45,134,937	42,079,528	3,055,409	7.3%
Total liabilities	52,273,040	47,745,776		
Net position:				
Net investment in capital assets	16,525,874	11,165,709	5,360,165	48.0%
Restricted	16,024,418	21,739,049	(5,714,631)	-26.3%
Unrestricted	(24,422,131)	(29,998,394)	5,576,263	-18.6%
Total net position	\$ 8,128,161	\$ 2,906,364		

The largest portion of the County's net position reflects its investments in capital assets (e.g., land, roads, and bridges) of \$27.6 million; less related outstanding debt used to acquire those assets in the amount of \$11.1 million. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the County's net position (\$16.0 million) represent resources that are subject to external restrictions on how they may be used. The remaining unrestricted net position deficit of \$24.4 million represents liabilities that will be funded with future revenue streams.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

Management's Discussion and Analysis December 31, 2013

Current assets increased during the year ended December 31, 2013 as a result of the positive change in net position of approximately \$5.8 million. Capital assets increased as a result of additions offset by depreciation. Long term liabilities increased as a result of new debt issuances offset by scheduled payments on outstanding debt. Other liabilities decreased as a result of payments made on such items.

Northumberland County, Pennsylvania Statement of Activities (Government-Wide)

	Governmental Activities		Change	% Change
	2013	2012		
Revenue				
Program revenue:				
Charges for current services	\$ 6,868,194	\$ 8,577,924	(1,709,730)	-19.9%
Operating grants and contributions	33,258,560	29,812,835	3,445,725	11.6%
General revenue:				
Property taxes	18,871,031	16,562,165	2,308,866	13.9%
Other	1,295,212	1,672,096	(376,884)	-22.5%
Total revenue	<u>60,292,997</u>	<u>56,625,020</u>		
Expenses				
General activities	5,515,782	5,230,030	285,752	5.5%
Judicial	16,809,739	15,716,723	1,093,016	7.0%
Public works	1,009,824	739,940	269,884	36.5%
Human services	26,510,059	28,150,787	(1,640,728)	-5.8%
Culture and recreation	1,500	1,500	-	0.0%
Conservation and development	3,616,815	3,200,934	415,881	13.0%
Debt service	994,182	944,378	49,804	5.3%
Total expenses	<u>54,457,901</u>	<u>53,984,292</u>		
Change in net position	5,835,096	2,640,728		
Net position prior year	<u>2,293,065</u>	<u>265,636</u>		
Net position current year	<u>\$ 8,128,161</u>	<u>\$ 2,906,364</u>		

The County's total net position increased by \$5.8 million during the year ended December 31, 2013. Total net position as of December 31, 2013 was \$8.1 million.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

Management's Discussion and Analysis December 31, 2013

Governmental Activities (government-wide) – Change in Net Position:

Net position in governmental activities increased by \$5.8 million. Key factors in this increase are as follows:

- ❑ Charges for services decreased by \$1.7 million or 19.9% due to decreased programs offered by the County.
- ❑ Operating grants and contributions increased by \$3.4 million or 11.6% as a result of new grants for fixed assets.
- ❑ Property taxes increased by \$2.3 million or 14.0% as result of increased millage.
- ❑ Expenses increased by \$0.5 million as a result of inflationary pressures.

The County uses fund accounting to ensure and demonstrate compliance with finance related legal requirements and restrictions, and fiscal accountability.

Governmental Funds:

The focus of the County's 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, fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported combined fund balances of \$22.7 million, an increase of \$2.7 million in comparison with the prior year. Approximately \$14.2 million of this amount is reserved for program purposes. Approximately \$7.6 million is nonspendable for the long term receivable related to the Manor View Manor sale.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

Management's Discussion and Analysis December 31, 2013

Shown below are the fund balance and net changes in fund balance for each fund.

Fund	Fund Balance		% Change	Change in Fund Balance		
	2013	2012		2013	2012	% Change
General	\$ 1,193,585	\$ (1,621,502)	173.6%	\$ 2,815,087	\$ 272,040	934.8%
Mental Health/Mental Retardation	10,681	88,692	-88.0%	(78,011)	8,692	100.0%
Children and Youth	-	-	0.0%	-	-	0.0%
Debt Service	12,638,594	16,784,619	-24.7%	(4,146,025)	2,901,765	-242.9%
Act 35	128,597	146,363	-12.1%	(17,766)	(23,185)	-23.4%
Domestic relations	-	-	0.0%	-	(1,595)	-100.0%
Liquid Fuels	2,225,692	1,715,619	29.7%	510,073	(149,707)	-440.7%
Weatherization	-	-	0.0%	-	-	0.0%
Adult Services	6,333	16,140	-60.8%	(9,807)	(16,238)	-39.6%
Emergency management	79,038	102,621	-23.0%	(23,583)	1,579	-1593.5%
Planning	-	-	0.0%	-	-	0.0%
Flood mitigation	6,035	6,035	0.0%	-	-	0.0%
Area Agency on Aging	199,250	212,627	-6.3%	(13,377)	(266,661)	-95.0%
Drugs and Alcohol	157,410	151,227	4.1%	6,183	30,029	100.0%
Childcare information services	-	-	0.0%	-	-	0.0%
Juvenile courts	-	-	0.0%	-	-	0.0%
Affordable housing	242,398	363,217	-33.3%	(120,819)	(21,717)	456.3%
Record improvements	219,457	199,405	10.1%	20,052	17,819	12.5%
Capital projects	5,567,176	1,742,833	219.4%	3,824,343	1,718,633	122.5%
Emergency 911 Fund	56,673	134,670	-57.9%	(77,997)	(136,030)	-42.7%
Northumberland County Authority	(89,962)	(81,366)	10.6%	(8,596)	(68,217)	-87.4%
Prison inmates	84,641	96,766	-12.5%	(12,125)	4,971	-343.9%

Original Budget vs. Final Budget:

There were no significant differences in budgets made during the 2013 year.

Final Budget vs. Actual Results:

Final actual results yielded an approximate \$1.2 million increase. Revenue was over by \$1.7 million. The revenue overage was offset by expenditures exceeding budget of \$0.2 million and transfers below budget by \$0.9 million.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

Management's Discussion and Analysis December 31, 2013

Capital Asset Administration – Government Wide Statements

The County's investment in capital assets for its governmental activities as of December 31, 2013, amounts to \$27.6 million (net of depreciation). This investment in capital assets includes land, buildings, bridges, roads, equipment, and operational facilities.

	<u>2013</u>	<u>2012</u>	<u>% Change</u>
Land	\$ 697,974	\$ 697,974	0%
Leasehold assets	7,862,226	8,449,615	-7%
Buildings and Improvements	5,452,965	6,162,019	-12%
Infrastructure	6,290,312	6,253,304	1%
Machinery, Equipment, and Vehicles	7,342,397	722,796	916%
Total	<u>\$ 27,645,874</u>	<u>\$ 22,285,708</u>	

Additional information on the County's capital assets can be found in Note 5 on page 40 of this report.

Debt Administration

leases, of approximately \$42.4 million. This amount was comprised of debt backed by the full faith and credit of the County and user fees. The County's outstanding debt increased by \$3.0 million during the current fiscal year. The net increase resulted from approximately \$4.4 million in principal payments and the issuance of \$7.4 million in new general debt.

Additional Information on the County's long-term debt can be found in Note 6 on page 41 of this report.

Economic Factors and Fiscal Year 2014

The economic outlook of the County is closely tied to the State of Pennsylvania. As the overall economy continues a slow recovery from the recession, the County will be continue to be faced with a number of financial constraints as it balances the need to provide services with the related costs of such services.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

Management's Discussion and Analysis December 31, 2013

Requests for Information

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Controller's Office, Northumberland County Administration Center 399 South 5th Street, Sunbury, Pennsylvania 17801.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

**Statement of Net Position
As of December 31, 2013**

	Primary Government	Component Units	
	Governmental Activities	Conservation District	Industrial Development Authority
ASSETS:			
Cash and cash equivalents	\$ 17,894,588	\$ 163,317	\$ 362,453
Receivables, net:			
Taxes	2,821,024	-	-
Due from other governments	3,344,318	-	-
Other	583,039	-	-
Other assets	521,034	-	-
Total current assets	25,164,003	163,317	362,453
Long-term loan receivable	7,591,324	-	267,705
Capital Assets:			
Land and improvements not being depreciated	697,974	-	-
Infrastructure and infrastructure in progress	10,154,293	-	-
Buildings	13,226,784	-	-
Equipment and furniture	13,421,437	-	-
Other capital assets	9,560,868	106,859	-
Less: accumulated depreciation	(19,415,482)	(64,065)	-
Total capital assets	27,645,874	42,794	-
TOTAL ASSETS	60,401,201	206,111	630,158
LIABILITIES:			
Accounts payable and accrued expenses	5,954,678	977	-
Escrow liabilities	63,024	-	-
Due to other governmental agencies	232,353	-	-
Unearned income	888,048	-	-
Long-Term Liabilities:			
Due within one year:			
Bonds, capital leases and loans	4,061,275	-	-
Accrued interest	246,702	-	-
Due in more than one year:			
Bonds, capital leases and loans	38,387,046	-	-
Compensated absences	1,350,975	-	-
Pension obligation	78,545	-	-
Other postemployment benefit obligation	823,161	-	-
Claims and judgments	187,233	-	-
TOTAL LIABILITIES	52,273,040	977	-
NET POSITION:			
Net investment in capital assets	16,525,874	42,794	-
Restricted for:			
Debt service	12,638,594	-	-
Program purposes	3,385,824	31,186	-
Unrestricted	(24,422,131)	131,154	630,158
TOTAL NET POSITION	\$ 8,128,161	\$ 205,134	\$ 630,158

The accompanying notes are an integral part of this financial statement.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

**Statement of Activities
For the Year Ended December 31, 2013**

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Units	
					Governmental Activities	Conservation District	Industrial Development Authority
PRIMARY GOVERNMENT:							
Governmental activities:							
General activities	\$ 5,515,782	\$ 4,623,821	\$ (12,405)	\$ -	\$ (904,366)	\$ -	\$ -
Judicial	12,417,106	78,377	897,649	-	(11,441,080)	-	-
Public safety	4,392,633	504,118	1,412,084	-	(2,476,431)	-	-
Public works	1,009,824	450,552	1,090,259	-	530,987	-	-
Human services	26,510,059	1,148,354	29,870,973	-	4,509,268	-	-
Culture and recreation	1,500	-	-	-	(1,500)	-	-
Conservation and development	3,616,815	62,972	-	-	(3,553,843)	-	-
Debt service	994,182	-	-	-	(994,182)	-	-
Total primary government	54,457,901	6,868,194	33,258,560	-	(14,331,147)	-	-
COMPONENT UNITS							
Conservation district	683,545	69,865	575,769	-	-	(37,911)	-
Industrial development authority	14,334	19,560	-	-	-	-	5,226
Total Component Units	\$ 697,879	\$ 89,425	\$ 575,769	\$ -	-	(37,911)	5,226
GENERAL REVENUES:							
Taxes:							
Property taxes					18,871,031	-	-
Unrestricted investment earnings					209,997	366	62
Miscellaneous					1,085,215	2,307	-
Total general revenues and transfers					20,166,243	2,673	62
Change in net assets					5,835,096	(35,238)	5,288
Net position, beginning (as restated)					2,293,065	240,372	624,870
Net position, ending					\$ 8,128,161	\$ 205,134	\$ 630,158

The accompanying notes are an integral part of this financial statement.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

Balance Sheet- Governmental Funds
As of December 31, 2013

	GENERAL FUND	BHIDS	CHILDREN & YOUTH	DEBT SERVICE	PLANNING	CAPITAL PROJECTS	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS:								
Cash and cash equivalents	\$ 3,091,913	\$ 216,049	\$ 229,933	\$ 1,868,301	\$ 1,077	\$ 8,027,553	\$ 3,995,748	\$ 17,430,574
Taxes receivable, net	2,547,748	-	-	273,276	-	-	-	2,821,024
Due from other funds	829,740	184,156	-	3,109,000	-	-	127,891	4,250,787
Receivable from other governments	530,563	391,879	604,183	-	939,898	-	877,795	3,344,318
Other receivables	304,175	140,132	654	7,591,324	-	-	138,078	8,174,363
Other assets	169,339	-	61,218	-	55	145,105	145,317	521,034
TOTAL ASSETS	7,473,478	932,216	895,988	12,841,901	941,030	8,172,658	5,284,829	36,542,100
LIABILITIES								
Accounts payable	529,642	619,295	298,733	-	681,221	2,590,876	392,520	5,112,287
Due to other funds	3,400,499	3,464	3,888	-	226,456	14,606	572,758	4,221,671
Payable to other governments	-	-	-	-	-	-	232,353	232,353
Deferred revenue	278,272	-	-	526	33,240	-	576,010	888,048
Other accrued expenses	413,024	116,233	97,239	-	113	-	195,626	822,235
Escrow liabilities	63,024	-	-	-	-	-	-	63,024
Total liabilities	4,684,461	738,992	399,860	526	941,030	2,605,482	1,969,267	11,339,618
DEFERRED INFLOW OF RESOURCES								
Unavailable revenue	1,595,432	182,543	496,128	202,781	-	-	-	2,476,884
Fund balances:								
Nonspendable	-	-	-	7,591,324	-	-	-	7,591,324
Restricted	59,581	-	-	5,250,051	-	5,567,176	3,315,562	14,192,370
Assigned	-	10,681	-	-	-	-	-	10,681
Unassigned	1,134,004	-	-	-	-	-	-	1,134,004
Total fund balances	1,193,585	10,681	-	12,638,594	-	5,567,176	3,315,562	22,725,598
TOTAL LIABILITIES AND FUND BALANCE	\$ 5,878,046	\$ 749,673	\$ 399,860	\$ 12,639,120	\$ 941,030	\$ 8,172,658	\$ 5,284,829	\$ 34,065,216

The accompanying notes are an integral part of this financial statement.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

Reconciliation of the Balance Sheet- Governmental Funds to the Statement of Net Position As of December 31, 2013

Total Fund Balance, Governmental Funds \$ 22,725,598

Amounts reported for governmental activities in the statement of net position are difference because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statements, but are reporting in the governmental activities of the statement of net assets 27,645,874

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 not reported as deferred revenue in the funds 2,476,884

The assets and liabilities of certain internal service funds are not included in the fund financial statements, but are included in the governmental activities of the statement of net position 227,509

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 as of December 31, 2013 are:

Accrued interest on bonds	\$ (246,702)	
Bonds, capital leases and loans	(42,448,321)	
Compensated absences	(1,350,975)	
Pension obligation	(78,545)	
Other postemployment benefit obligation	(823,161)	
	<u>(44,947,704)</u>	<u>(44,947,704)</u>

Net position of governmental activities in the statement of net position \$ 8,128,161

The accompanying notes are an integral part of this financial statement.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

Statement of Revenue, Expenditures, and Changes in Fund Balances- Governmental Funds
For the Year Ended December 31, 2013

	GENERAL FUND	BHIDS	CHILDREN & YOUTH	DEBT SERVICE	PLANNING	CAPITAL PROJECTS	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:								
Taxes	\$ 15,745,723	\$ -	\$ -	\$ 2,436,797	\$ -	\$ -	\$ -	\$ 18,182,520
Fees and Fines	-	-	-	-	-	-	33,131	33,131
Intergovernmental	749,448	9,396,934	6,530,068	-	7,226,053	-	9,356,057	33,258,560
Charges for services	4,405,560	373,432	400,781	-	-	-	1,499,091	6,678,864
Investment earnings	129,106	3,684	-	39,484	-	19,634	18,089	209,997
Miscellaneous	412,651	250	-	-	-	-	672,314	1,085,215
Total Revenues	21,442,488	9,774,300	6,930,849	2,476,281	7,226,053	19,634	11,578,682	59,448,287
EXPENDITURES:								
Current:								
General government	5,101,477	-	-	57,500	-	-	62,247	5,221,224
Judicial:								
Jail	4,299,599	-	-	-	-	-	-	4,299,599
Other	5,369,556	-	-	-	-	-	2,512,886	7,882,442
Public safety	1,596,446	-	-	-	-	-	2,513,725	4,110,171
Human services	135,556	10,100,575	8,224,248	-	-	-	7,627,017	26,087,396
Public works	-	-	-	-	-	-	707,847	707,847
Conservation and development	231,508	-	-	-	3,385,307	-	-	3,616,815
Culture and recreation	1,500	-	-	-	-	-	-	1,500
Capital outlay	-	-	-	-	3,980,534	3,478,185	-	7,458,719
Debt service:								
Principal	-	-	-	3,753,000	-	-	17,500	3,770,500
Interest and other charges	-	-	-	869,306	-	-	110,136	979,442
Total Expenditures	16,735,642	10,100,575	8,224,248	4,679,806	7,365,841	3,478,185	13,551,358	64,135,655
Excess (deficiency) of revenues over expenditures	4,706,846	(326,275)	(1,293,399)	(2,203,525)	(139,788)	(3,458,551)	(1,972,676)	(4,687,368)
OTHER FINANCING SOURCES (USES):								
Proceeds from issuance of long-term debt	-	-	-	7,355,000	-	-	-	7,355,000
Transfers in	2,041,753	449,605	1,293,399	-	139,788	7,297,500	2,281,029	13,503,074
Transfers out	(3,933,512)	(201,341)	-	(9,297,500)	-	(14,606)	(56,115)	(13,503,074)
Total other financing sources and uses	(1,891,759)	248,264	1,293,399	(1,942,500)	139,788	7,282,894	2,224,914	7,355,000
NET CHANGE IN FUND BALANCES	2,815,087	(78,011)	-	(4,146,025)	-	3,824,343	252,238	2,667,632
FUND BALANCES, BEGINNING	(1,621,502)	88,692	-	16,784,619	-	1,742,833	3,063,324	20,057,966
FUND BALANCES, ENDING	\$ 1,193,585	\$ 10,681	\$ -	\$ 12,638,594	\$ -	\$ 5,567,176	\$ 3,315,562	\$ 22,725,598

The accompanying notes are an integral part of this financial statement.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances- of Governmental Funds to the Statement of Activities For the Year Ended December 31, 2013

Net changes in fund balances, total governmental funds \$ 2,667,632

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

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

Depreciation expense	\$ 2,098,553	
Capital outlay	<u>7,458,719</u>	5,360,166

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. 698,967

Governmental funds report debt and capital lease proceeds as an other financing source. The Statement of Activities treats such issuance of debt as a liability. (7,355,000)

Governmental funds report repayment of bond and capital lease principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long term liabilities. 4,358,694

Pension and Other post employment benefit (OPEB) expense reported in the Statement of Activities is recognized on the accrual basis. The net pension and OPEB obligation is adjusted for any difference between OPEB expenses and contributions made in relation to the annual required contribution. (33,167)

The County uses an Internal Service Fund to charge the costs for workers' compensation. The net income related to this activity is reported with the governmental activities. 156,199

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transaction 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 the following balances:

Compensated absences	\$ (3,655)	
Change in accrued interest	<u>(14,740)</u>	<u>(18,395)</u>

Change in net position of governmental activities \$ 5,835,096

The accompanying notes are an integral part of this financial statement.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

**Statement of Net Position- Proprietary Fund
For the Year Ended December 31, 2013**

	<u>INTERNAL SERVICE FUND</u>
ASSETS:	
Current Assets:	
Cash and cash equivalents	<u>\$ 464,014</u>
LIABILITIES	
Current Liabilities:	
Accounts payable and current claims and judgements	49,272
Non-current liabilities:	
Claims and judgments	<u>187,233</u>
Total liabilities	<u>236,505</u>
NET ASSETS:	
Unrestricted	<u>\$ 227,509</u>

The accompanying notes are an integral part of this financial statement.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

**Statement of Revenue, Expenses, and Changes in Net Position- Proprietary Fund
For the Year Ended December 31, 2013**

	<u>INTERNAL SERVICE FUND</u>
OPERATING REVENUE:	
Total operating revenue	\$ <u>364,487</u>
OPERATING EXPENSES:	
Insurance claims and expenses	<u>211,072</u>
OPERATING INCOME (LOSS)	<u>153,415</u>
NON-OPERATING REVENUES (EXPENSES):	
Interest and investment revenue	<u>2,784</u>
CHANGE IN NET ASSETS	156,199
TOTAL NET ASSETS, Beginning	<u>71,310</u>
TOTAL NET ASSETS, Ending	<u><u>\$ 227,509</u></u>

The accompanying notes are an integral part of this financial statement.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

Statement of Cash Flows- Proprietary Fund For the Year Ended December 31, 2013

	INTERNAL SERVICE FUND
CASH FLOWS FROM OPERATING ACTIVITIES:	
Payment for claims	\$ (180,678)
CASH FLOWS FROM INVESTING ACTIVITIES,	
Interest income	2,784
CASH FLOWS FROM NON-CAPITAL RELATED FINANCING ACTIVITIES	
Internal activity-receipts from (payments to) other funds	364,487
DECREASE IN CASH AND CASH EQUIVALENTS	186,593
CASH AND CASH EQUIVALENTS, BEGINNING	277,421
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 464,014</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH FROM OPERATING ACTIVITIES:	
Operating loss	\$ 153,415
Adjustments to reconcile operating loss to net cash from operating activities:	
Effect of changes in non-cash operating assets and liabilities:	
Accounts payable	33,178
Claims and judgements	(232,767)
NET CASH FROM OPERATING ACTIVITIES	<u>\$ 186,593</u>

The accompanying notes are an integral part of this financial statement.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

Notes to the Financial Statements December 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting methods and procedures adopted by the County of Northumberland, Pennsylvania (the “County”) conform to accounting principles generally accepted in the United States of America as applied to governmental entities. The following notes to the financial statements are an integral part of the County’s financial statements:

REPORTING ENTITY

The County of Northumberland is a fifth class county formed on March 21, 1772. The County operates under the direction of an elected Board of Commissioners, and provides the following services: administrative services, tax assessment and collections, judicial, public improvements, public safety, conservation and development, and human service programs. In addition, the County owns and operated the County Prison, and a functioning Emergency 911 Communications center.

The County follows the criteria promulgated by the Governmental Accounting Standards Board (“GASB”) for purposes of determining the scope of its reporting entity.

The financial statements of the County include the accounts of all County operations. As required under accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the County (the primary government) and its component units. The component units, discussed below, are included in the County’s financial reporting entity because of the significance of their operational or financial relationships with the County.

- Northumberland County Authority (the “County Authority,” a public finance authority, included as a blended component unit in the accompanying financial statements);
- Northumberland County Conservation District (the “Conservation District”) (a Pennsylvania conservation district, discretely presented within the accompanying financial statements), and;
- Northumberland County Industrial Development Authority (the “IDA,” discretely presented within the accompanying financial statements).

Separately issued financial statements are available through the Chief Clerk for the County Authority and the Conservation District. The IDA did not issue separate financial statements in 2013.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

Notes to the Financial Statements December 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

JOINT VENTURES

The County is a participant with the other municipalities in joint ventures that provide services to the constituents of all the participants. The County has no interest in the equity of these organizations. The following is a summary of the significant facts and circumstances for each organization:

<u>Name of Organization</u>	<u>Services Provided</u>	<u>County Participation</u>
Northumberland Montour Airport Commission	Airport Facility Management	One-half of the board of directors
SEDA-GOG	Numerous governmental services provided to members	One of eleven counties participating
SEDA-COG Joint Rail Authority	Preserve and foster rail service in Central Pennsylvania	One of eleven counties participating

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 does not supply and funding (either directly or as a result of special financing relationships) and 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:

- Northumberland County Airport Authority
- Northumberland County Housing Authority
- Planning Commission
- Children and Youth Advisory Board
- Mental Health/Mental Retardation Advisory Board
- Drug and Alcohol Advisory Board
- Area Agency on Aging Advisory Board
- Shared-ride Transportation Advisory Committee
- Agricultural Land Preservation Board
- Local Emergency Planning Commission
- Pennsylvania Council on Aging, Northeast Division
- Central Susquehanna Opportunities
- Lewis Township Recreational Complex

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

Notes to the Financial Statements December 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

RELATED ORGANIZATIONS (continued)

- Northumberland County Recreation Commission
- Redevelopment Authority of Northumberland County

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of 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 user fees and charges for support.

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

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 a separate column in the fund financial statements.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resource measurement focus and the accrual basis of accounting, as are the proprietary funds and fiduciary funds financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. 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.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

Notes to the Financial Statements December 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (continued)

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

Governmental fund financial statements are reported using the current financial resource 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 collectible 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 and capital grants, and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to measurable only when the County receives the cash.

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

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes 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.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

Notes to the Financial Statements December 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (continued)

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

The County reports the following major governmental funds:

- The General Fund is the government's primary operating fund. It accounts for all financial revenues of the general government, except those require 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 accounting for in this fund including operation of general County government, boards, commission, the court systems, and the health and welfare services.
- The Mental Health/Mental Retardation Fund is used to account for specific revenue sources related to the provisions of Mental Health/Mental Retardation services that are restricted to expenditures for those specified purposes.
- The Children and Youth Fund is used to account for specific revenue sources related to the provisions of Children and Youth services that are restricted to expenditures for those specified purposes.
- The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

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 and services are delivered. In the fund financial statements, proprietary funds are presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net position.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

Notes to the Financial Statements December 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (continued)

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

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

Additionally, the County reports the following fund types:

- The Pension Trust Fund-Employee Benefit Plan accounts for the revenue (i.e., member contributions, County contributions, and net investment income) and the expenses (i.e., contributions refunded, retirement allowances and death benefits paid) of the Pension Trust Fund.
- The Agency Funds consist of restricted funds of the various row offices of the County. Agency Funds reported by the County and their respective purpose(s) include:
 - Treasurer Escrow-licenses and permits sold on behalf of the Commonwealth of Pennsylvania;
 - Medical Claims-deposits held for employee medical claims;
 - Tax Claim Escrow-delinquent tax collections held for various taxing districts;
 - Coal Land Royalty-royalties collected on coal extracted held for various taxing districts;
 - Sheriff Escrow-deposits held for Sheriff sales, undisbursed Sheriff sale proceeds, and personal liens;
 - Bid Deposit Escrow-deposits held by County for bid security;
 - Escheats-unclaimed property held for distribution to Commonwealth of Pennsylvania Treasurer;
 - Prothonotary-inmate funds held during incarceration;
 - Juvenile Court Restitution-restitution funds held for disbursement;

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

Notes to the Financial Statements December 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (continued)

- District Justice-undisbursed deposits held by District Justice(s);
 - MH/MR Patient-MH/MR client funds held under Social Security Administration guidelines;
 - Register and recorder- funds held on behalf of various organizations
 - Domestic Relations-fees collected on behalf of the Commonwealth of Pennsylvania; and,
 - Court Costs-funds forfeited pursuant to the Controlled Substances Forfeitures Act.
- An Internal Service Fund, which accounts for the operations of the County's self-insured workers' compensation fund.

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

ASSETS, LIABILITIES AND NET POSITION OR FUND BALANCES

CASH EQUIVALENTS

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

INTERFUND RECEIVABLES AND PAYABLES

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are 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." All receivables are shown net of an allowance for doubtful accounts.

ACCOUNTS RECEIVABLE

All receivables are reported at net realizable value. Amounts are written off when they are determined to be uncollectible based upon management's assessment of individual amounts. The allowance for doubtful accounts is estimated based upon a combination of the County's historical losses and a percentage of aged receivables. The allowance for uncollectible real estate and debt service taxes as of December 31, 2013 amounted to \$299,419 and \$25,519, respectively.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

Notes to the Financial Statements December 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

UNBILLED SERVICE RECEIVABLES

The County's Enterprise Funds bill services currently, and accordingly, no unbilled service receivable exists.

INVESTMENTS

Investments for the County are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

CAPITAL ASSETS

Capital assets, which include property, equipment, and infrastructure assets (e.g., bridges) are, reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets with initial, individual costs that equal or exceed \$5,000 and estimated useful lives in excess of one year are recorded as capital assets. Capital assets are recorded at historical costs or estimated costs if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are completed. Interest incurred during the construction phase of the capital asset of governmental and 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 estimated useful lives:

Buildings and Improvements	40 years
Equipment	3-20 years
Infrastructure	40 years
Leasehold Assets	40 years

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

Notes to the Financial Statements December 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

COMPENSATED ABSENCES

County policy permits employees to accumulate a limited amount of earned, but unused vacation and sick leave. These benefits are payable to employees upon separation of services. All leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is recorded.

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 government activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are reported as deferred charges and amortized over the term of related debt.

In the fund financial statements, governmental fund types recognized 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. The proprietary and fiduciary fund financial statements utilize the net position presentation as describe above.

UNEARNED REVENUES

Unearned revenues reported in government-wide financial statements represent unearned revenues. The unearned revenues will be recognized as revenue in the fiscal year they are earned in accordance with the accrual basis of accounting. Unavailable revenues reported in governmental fund financial statements represent unearned revenues or revenues, which are measureable but not available and in accordance with the modified accrual basis of accounting. The County deems revenues received within 60 days of the year end to be available.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

Notes to the Financial Statements December 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INTERFUND TRANSACTIONS

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

NET POSITION/FUND BALANCES

The government-wide and business-type activities financial statements utilize a net position presentation. Net position are categorized as invested capital assets (net of related debt), 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 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 of other purpose. In the governmental fund financial statements, reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various reserves and designations are established by actions of the Board of Commissioners and management and can be increased, reduced, or eliminated by similar actions. The proprietary and fiduciary fund financial statements utilized the net position presentation as described above.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

Notes to the Financial Statements December 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

NET POSITION/FUND BALANCES (continued)

Nonspendable fund balance reports resources cannot be spent because of their form, or due to legal or contractual requirements. The Debt Service fund has approximately \$7.6 million of nonspendable fund balance as a result of a long term note receivable. Committed fund balance reports resources with self-imposed limitation approved by the Commissioners of the County to the end of the period. Formal action is required to remove or modify a constraint reflected in the committed fund balance. There were no committed fund balances as of December 31, 2013. Assigned fund balance records the portion of fund balance that reflects the Commissioners' intended use of resources. Assigned fund balance can be established by either the Commissioners or the Chief Financial Officer. Unlike committed fund balance, formal action is not required to impose, remove, or modify assigned fund balance.

ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires managements to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

2. BUDGETARY DATA

Formal budgetary accounting is employed as management control for the General Fund, certain Special Revenue Funds, and the Debt Service Fund of the County. Annual operating budgets are adopted each year through the passage of an annual budget ordinance and accounting principles generally accepted in the United States of America are used to complete the budget. The County of Northumberland follows these procedures in establishing the budgetary data reflected in the financial statements:

- (1) During August and September, the department heads use current financial status reports to develop financial projections for their programs for the ensuing year. These financial projections are reviewed with the budget staff.
- (2) The Finance Office reviews and consolidates submitted financial projections and forwards the projections to the Commissioners' Office.
- (3) Upon consolidation of the department and agency expenditure projections, the Commissioners' Office must ascertain the most viable method of financing them.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

Notes to the Financial Statements December 31, 2013

2. BUDGETARY DATA (continued)

- (4) Subsequently, the Commissioners' Office assembles the preliminary projections of revenues and expenditures into a final budget incorporating any revisions or adjustments resulting from the aforementioned County Commissioners' review.
- (5) By early December, the final budget is presented to the County Commissioners. Pursuant to budgetary requirements, as set forth in the County Code, public notice is given that the proposed budget is available for inspection for a period of 20 days.
- (6) After the 20-day inspection period but no later than December 31, the County Commissioners adopt the final budget by enacting an appropriate ordinance.
- (7) As required by the Commonwealth of Pennsylvania County Code, the proposed budget is made available for public inspection for at least 20 days prior to the date of adoption, with adoption required by December 31. Subsequent to the budget approval, the County Commissioners adopt the appropriation measures required to put the budget into effect and fix the rate of taxation. Within 15 days subsequent to the legal adoption of the budget, the County Commissioners file a copy of the budget with the Department of Community and Economic Development of the Commonwealth of Pennsylvania.

The Commissioners may at any time, by resolution, make supplemental appropriations for any lawful purpose from any funds on hand or estimated to be received within the fiscal year and not otherwise appropriated, including the proceeds of any borrowing now or hereafter authorized by law. The Commissioners may authorize the transfer of any unencumbered balance of any appropriation item or any portion thereof.

LEVEL OF CONTROL

The County is legally required to maintain budgetary controls at the major function level. In practice, the County maintains budgetary control at the fund level.

LAPSING OF APPROPRIATIONS

Unexpended appropriations lapse at year-end.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

Notes to the Financial Statements December 31, 2013

2. BUDGETARY DATA (continued)

MANAGEMENT AMENDMENT AUTHORITY

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

Financial analysis is provided monthly to management showing spending levels in comparison to the current budget. The budget is also reviewed by management with operating departments.

3. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Under Section 1706 of the County Code of the Commonwealth of Pennsylvania, the County is authorized to invest in the following:

- A. United States Treasury Bill
- B. Short-term obligations of the United States government or its agencies or instrumentalities.
- C. Savings accounts or time deposits, other than certificates of deposit, or share accounts of institutions having their principal place of business in the Commonwealth of Pennsylvania ("Commonwealth") and insured by the Federal Deposit Insurance Corporation ("FDIC")
- D. Obligations of the United States or any of its agencies or instrumentalities backed by the full faith and credit of the United States, the Commonwealth, or of any agencies instrumentalities backed by the full faith and credit of the Commonwealth or of any political subdivision of the Commonwealth or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision. The County may also invest in shares of a registered investment company under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933.
- E. Certificates of deposit purchased from institutions having their principal place of business in or outside the Commonwealth, which are insured by federal agencies. For any amounts in excess of the insured maximum, such as deposits, shall be collateralized by a pledge or assignment of assets pursuant to Act No. 72 of the General Assembly. Certificates of deposit may not exceed 20% of a bank's total capital surplus or 20% of a savings and loan's or savings bank's assets net of its liabilities.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

Notes to the Financial Statements December 31, 2013

3. CASH, CASH EQUIVALENTS, AND INVESTMENTS (continued)

F. “Commercial paper” and “prime commercial paper” meeting certain requirements.

Pension or retirement funds may be invested by the County according to the “Prudent Man Rule” as defined by Decedents, Estates, and Fiduciaries Act, 20 PA C.S.CH.73, which is referred to in the County Code.

It is policy of the County to invest funds under the County’s control principally in certificates of deposit, repurchase agreements, U.S. government securities, and money market mutual funds. Funds under the County’s direct control exclude monies of the Retirement Trust Fund.

GAAP requires disclosures related to the following deposit and investment risks, custodial credit risk, custodial risk, concentration of credit risk, interest rate risk, and foreign currency risk, the following is a description of the County’s deposit and investment risks.

DEPOSITS

Custodial credit risk- Is the risk that in the event of a bank failure, the County will not recover its deposit or will not be able to recover collateral securities that are in the possession of an outside party. The County does not have a formal deposit policy for custodial credit risk. As of December 31, 2013, the County’s total book and bank balance was \$17,892,507 and \$18,909,391, respectively. Of this amount, \$3,129,682 was insured by the FDIC. The remaining bank deposits of \$15,779,709 were exposed to custodial credit risk, since the deposits were collateralized with securities held by pledging financial institutions, but not in the County’s name.

INVESTMENTS-PENSION TRUST FUND

Assets in the pension trust fund are stated at fair value, The Employees Pension Board has adopted investment guidelines that summarize the investment philosophy of the Board, as follows:

Custodial Credit Risk- For an investment, 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 possession of an outside party. As of December 31, 2013, all of the County’s Pension trust funds investments were held in Wells Fargo, and were insured by the Securities Investor Protection Corporation (“SIPC”) up to \$500,000.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

Notes to the Financial Statements December 31, 2013

3. CASH, CASH EQUIVALENTS, AND INVESTMENTS (continued)

INVESTMENTS-PENSION TRUST FUND (continued)

Credit Risk- Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a credit rating by a nationally recognized rating organization. The County's investment policy protests against credit risk by limiting investments to the following:

- Fixed income investments shall be high quality, marketable securities with a preponderance of the investment in (1) U.S. Treasury, federal agencies and U.S. Government guaranteed obligations, and (2) investment grade corporate issues including convertibles.
- The overall rating of the fixed income assets shall be at least "A" according to either Moody's or Standard and Poor's rating system. In cases where the yield spread adequately compensates for additional risk, BAA or BBB ratings can be purchased up to a maximum of 15% of total market value of fixed income securities.

As of December 31, 2013, the County's credit quality distribution of securities as a percentage of total investments is as follows:

<u>Security Type</u>	<u>Credit Rating</u>	<u>% of portfolio</u>
Managed equities	N/A	67%
Corporate bonds	BBB-AAA	8%
U.S. government obligations	AAA	18%
Cash and cash equivalents	N/A	7%

Concentration of Credit Risk- Concentration of credit risk is the risk of loss attributed to the magnitude of the County's investment in a single issue, as follows: for equity securities, not more than 5% of the total stock portfolio (valued at market) may be invested in the common stock of any one corporation; ownership of the shares of one company shall not exceed two (2%) percent of those outstanding, and; not more than 25% of stock (valued at market) may be held in any one industry category. For fixed income securities, any one issue shall not exceed 5% of the total bond portfolio at time of purchase (this rule does not apply to issues of the U.S. Treasury or other federal agencies). As of December 31, 2013, there were no individual investments that exceeded 5% of the total portfolio's market value.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

Notes to the Financial Statements December 31, 2013

3. CASH, CASH EQUIVALENTS, AND INVESTMENTS (continued)

INVESTMENTS-PENSION TRUST FUND (continued)

Interest Rate Risk- Interest rate risk is the risk that changes in market rates will adversely affect the fair value of an investment. The County does not have a specific policy with regard to interest rate risk.

Information about the sensitivity of the fair values of the County's investments to market interest rate fluctuations is provided by the following table which provides a distribution of the County's investments by maturity at December 31, 2013:

<u>Investment</u>	<u>Matures</u>	<u>Fair Value</u>
Managed equities	N/A	\$ 52,748,270
Corporate bonds	Average of 7 years	6,577,933
U.S. government obligations	Average of 13 years	13,917,739
Cash and cash equivalents	N/A	5,809,915
		<u>\$ 79,053,857</u>
Reported in the financial statements as:		
Cash and cash equivalents		\$ 5,809,915
Investments		73,243,942
		<u>\$ 79,053,857</u>

Foreign Currency Risk- Foreign currency risk is the risk that changes in the foreign exchange rate will adversely affect the fair value of an investment. The County is not invested in any foreign securities as of December 31, 2013.

INVESTMENTS-INTERNAL SERVICE FUNDS

The Internal Service Fund is comprised of the County's Workers Compensation Fund. The Workers Compensation Fund does not have an investment policy with regard to custodial credit risk, credit risk, concentration of credit risk, interest rate risk, or foreign currency risk. As of December 31, 2013, investments held for the County's Government Obligations included only a money market fund of \$464,014.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

Notes to the Financial Statements December 31, 2013

4. PROPERTY TAXES

REAL ESTATE PROPERTY TAXES

Real estate property taxes attach as an enforceable lien on property on January 1, based on assessed value listed as of the prior December 31 for all real property located in the County. Assessed values are established by the County Assessment Board at 100% of calculated market value. 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 a 10% penalty from July 1 through December 31. The County bills its own property taxes, which are collected by elected tax collectors. Real estate property taxes levied for 2013 are recorded as receivables, net of estimated uncollectible amounting to \$324,938, \$299,419, for real estate and per capita, and \$25,519, for debt service purposes as of December 31, 2013. Net receivables estimated to be collectible subsequent to March 31 are reflected in unearned revenue. Prior years' levies are recorded using these same principles, and remaining receivables are annually reevaluated as to collectability.

The County is permitted by the County Code to levy real estate taxes up to 25 mills on every dollar of adjusted valuation for General County purposes, exclusive of the requirements for the payment of interest and principal on funded debt. The County levy for 2013 was 21.033 mills for general government purposes and 2.235 mills for debt services purposes.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

**Notes to the Financial Statements
December 31, 2013**

5. CAPITAL ASSETS

Capital assets of the governmental activities for the year ended December 31, 2013 were as follows:

	<u>Balance, January 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Balance, December 31, 2013</u>
Governmental Activities					
Capital assets, not being depreciated					
Land	\$ 697,974	\$ -	\$ -	\$ -	\$ 697,974
Capital assets, being depreciated					
Buildings and Improvements	13,202,026	24,758	-	-	13,226,784
Infrastructure	9,862,240	292,053	-	-	10,154,293
Leasehold Assets	9,560,868	-	-	-	9,560,868
Machinery, Equipment, and Vehicles	6,279,529	7,141,908	-	-	13,421,437
Total capital assets, being depreciated	<u>38,904,663</u>	<u>7,458,719</u>	<u>-</u>	<u>-</u>	<u>46,363,382</u>
Less: Accumulated Depreciation					
Buildings and Improvements	(7,040,007)	(733,812)	-	-	(7,773,819)
Infrastructure	(3,608,936)	(255,045)	-	-	(3,863,981)
Leasehold Assets	(1,111,253)	(587,389)	-	-	(1,698,642)
Machinery, Equipment, and Vehicles	(5,556,733)	(522,307)	-	-	(6,079,040)
Total accumulated depreciation	<u>(17,316,929)</u>	<u>(2,098,553)</u>	<u>-</u>	<u>-</u>	<u>(19,415,482)</u>
Total capital assets being depreciated, net	<u>21,587,734</u>	<u>5,360,166</u>	<u>-</u>	<u>-</u>	<u>26,947,900</u>
Governmental activities, net	<u>\$ 22,285,708</u>	<u>\$ 5,360,166</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,645,874</u>

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

Governmental Activities

General government	\$ 889,553
Judicial	201,898
Public Safety	282,462
Human Services	422,663
Public works	<u>301,977</u>
Total depreciation expense, governmental activities	<u>\$ 2,098,553</u>

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

Notes to the Financial Statements December 31, 2013

6. LONG-TERM LIABILITIES

As of December 31, 2013, the County's long term liabilities consisted of the following:

Governmental activities	Balance, January 1, 2013	Additions	Retirements	Balance, December 31, 2013	Current Portion
Long term debt	\$ 30,993,000	\$ 7,355,000	\$ 3,753,000	\$ 34,595,000	\$ 3,310,000
Capital lease payable	8,459,015	-	605,694	7,853,321	751,275
Compensated absences	1,347,320	3,655	-	1,350,975	-
Annual required contribution - pension trust	83,497	973,955	978,907	78,545	-
Annual required contribution - OPEB	789,994	502,523	469,356	823,161	-
Claims and judgements	160,000	148,537	121,304	187,233	-
Total	\$ 41,832,826	\$ 8,983,670	\$ 5,928,261	\$ 44,888,235	\$ 4,061,275

As of December 31, 2013, the County's long-term debt consisted of the following:

Description	Interest Rate	Amount of Original Issue	Balance as of 1/1/13	Additions	Retirements	Balance as of 12/31/13	Current Portion
2008 General Obligation Note	2.95%	\$ 6,100,000	\$ 1,183,000	-	\$ (1,183,000)	-	-
2009 General Obligation Note	2.00 - 3.75%	15,265,000	11,765,000	-	(1,335,000)	10,430,000	1,360,000
2010 General Obligation Note	2.0 - 3.70%	3,725,000	3,550,000	-	(255,000)	3,295,000	215,000
2011 General Obligation Note	3.21%	4,260,000	3,910,000	-	(500,000)	3,410,000	565,000
2011 General Obligation Note, Series A	2.35%	3,900,000	3,585,000	-	(480,000)	3,105,000	490,000
2012 Guaranteed Lease Revenue Note	2.16%	5,200,000	5,200,000	-	-	5,200,000	605,000
2012 General Obligation Note	3.39%	1,800,000	1,800,000	-	-	1,800,000	15,000
2013 General Obligation Note	3.15%	7,355,000	-	7,355,000	-	7,355,000	60,000
			\$ 30,993,000	\$ 7,355,000	\$ (3,753,000)	\$ 34,595,000	\$ 3,310,000

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

Notes to the Financial Statements December 31, 2013

6. LONG-TERM LIABILITIES (continued)

BONDS AND NOTES PAYABLE

In 2008, the County issued its \$6,100,000, General Obligation Note, Series of 2008 bearing interest at 2.95% per annum, maturing December 15, 2013. The proceeds of the note were used to currently refund the Northumberland County General Obligation Note, Series of 2003, and to pay the costs of issuance.

In 2009, the County issued its \$15,265,000, General Obligation Bonds, Series of 2009 bearing interest at rates ranging from 2.00% to 3.75% per annum, maturing October 1, 2020. The proceeds of the Bonds were used to currently refund the Northumberland County Authority Guaranteed Lease Revenue Bonds, Series A of 1999, the Northumberland County Authority Guaranteed Lease Revenue Note, Series A of 2006, the Northumberland County General Obligation Note, Series B of 2008, and to pay the costs of issuance. As part of the issuance of the Bonds, the refunded debt, reported within the County's proprietary funds (County Home and Emergency 911 Funds), became general obligation debt of the County and thus was transferred to the Governmental Activities of the County (see Note 12).

In 2010, the County issued \$3,725,000, of General Obligation Notes bearing interest at 2.00% to 3.70% per annum, maturing in 2021. The proceeds of these notes were used to refinance the 2002 Authority Bonds Series A and to pay the costs of issuance.

In 2011, the County issued \$8,160,000, of General Obligation Notes bearing interest at 2.35% to 3.21% per annum, maturing in 2019. The proceeds of these notes were used to refinance the 2001 General Obligation Note, Series B, 2002 Guaranteed Authority Bonds, Series B, General Obligation Note, Series of 2007, and the 2008 General Obligation Note, Series A.

In 2012, the County issued \$5,200,000, of Guaranteed Lease Revenue Notes bearing interest at 2.16% per annum, maturing in 2021. The proceeds of these notes were used for the Authority to purchase a building from the County.

In 2012, the County issued \$1,800,000, of General Obligation Notes bearing interest at 3.39% per annum, maturing in 2025. The proceeds of these notes were used for general capital asset purchases.

In 2013, the County issued \$7,355,000 of General Obligation Notes bearing interest at 3.15% per annum maturing in 2025. The proceeds of these notes were used for general capital asset purchases.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

**Notes to the Financial Statements
December 31, 2013**

6. LONG-TERM LIABILITIES (continued)

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

Years Ending December 31,	Principal	Interest	Total Debt Service
2014	\$ 3,310,000	\$ 1,359,384	\$ 4,669,384
2015	3,415,000	1,223,578	4,638,578
2016	3,505,000	1,129,756	4,634,756
2017	3,600,000	1,028,703	4,628,703
2018	4,685,000	926,914	5,611,914
2019-2023	9,055,000	3,700,190	12,755,190
2023-2025	<u>7,025,000</u>	<u>611,277</u>	<u>7,636,277</u>
Totals	<u>\$ 34,595,000</u>	<u>\$ 9,979,802</u>	<u>\$ 44,574,802</u>

CAPITAL LEASE OBLIGATIONS

The County has entered into several agreements that have been accounted for as capital leases. These agreements cover a building, various vehicles and office equipment. These assets are being amortized over their respective lease terms, which approximate their estimated productive lives. The cost of these assets approximated \$9.4 million. Future required payments on these leases was as follows:

<u>Years Ending December 31,</u>	<u>Lease Payments</u>
2014	\$ 854,464
2015	849,464
2016	844,464
2017	763,494
2018	763,494
2019-2023	3,717,470
2024-2027	<u>2,803,976</u>
Total	10,596,826
Less: imputed interest at 4%	<u>2,743,505</u>
Net amount	<u>\$ 7,853,321</u>

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

Notes to the Financial Statements December 31, 2013

7. OPERATING LEASES

The County leases building space for certain County offices, equipment, and District Justices' offices. All these leases are classified as operating leases with expiration dates extending through 2016. Lease expenditures for the year ended December 31, 2013 approximated \$1.9 million

The following is a schedule of future minimum lease payments for operating leases with initial or remaining terms in excess of one year as of December 31, 2013:

<u>Years Ending December 31,</u>	<u>Lease Payments</u>
2014	\$ 751,275
2015	717,855
2016	718,165
2017	706,481
2018	706,804
2019-2023	3,462,349
2024-2028	2,298,323

8. COMPENSATED ABSENCES

VACATION PAY

Time accrues at various rates based on length of service. Employees are encouraged to utilize earned vacation time by December 31 of each period; however, current practice allows for the carryover of 55 unused vacation days to the subsequent calendar year. Time carried over in this manner is considered vested.

SICK PAY

Employees earn 1 1/4 sick days for each month of service or 15 days per year. Current practice allows for the accumulation of unused sick days to be paid at retirement if the employee meets either of the applicable vesting requirements: Age 55 with 20 or more years of credited service to the County or Age 60

Applicable GASB pronouncements require accrual of sick and vacation pay that meet certain specific conditions. The County has determined that such conditions apply to vested vacation pay and accumulated sick pay of Governmental Funds and the Proprietary Fund. The County has accrued a liability for vacation and sick pay in financial statements at the fund level for the Proprietary Fund and in the Governmental and Business Type Activities in government-wide financial statements.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

**Notes to the Financial Statements
December 31, 2013**

9. INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances consist of the following at December 31, 2013:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Governmental funds		
General Fund	\$ 829,740	\$ 3,400,499
Special revenue/non-major	3,421,047	821,172
Fiduciary funds	12	29,128
	<hr/>	<hr/>
Total	<u>\$ 4,250,799</u>	<u>\$ 4,250,799</u>

The County utilizes a pooled operating fund to enhance investment return; therefore, interfund receivables and payables are recorded to recognize amounts held by the General Fund in the pooled amount on behalf of other funds. In addition, the General Fund has paid expenses on behalf of other funds; therefore, a corresponding interfund receivable and payable has been recorded.

10. INTERFUND OPERATING TRANSFERS

Interfund transfers are executed as a result of the requirements for the General Fund to "match" a portion of the expenditures or expenses of other funds. Interfund operating transfers for such purposes are as follows:

	<u>Transfers From Other Funds</u>	<u>Transfers to Other Funds</u>
Governmental funds		
General Fund	\$ 2,041,753	\$ 3,933,512
Special revenue/non-major	11,461,321	9,569,562
	<hr/>	<hr/>
Total	<u>\$ 13,503,074</u>	<u>\$ 13,503,074</u>

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

Notes to the Financial Statements December 31, 2013

11. RISK MANAGEMENT

The County is exposed to risk of loss related to self-insurance activities for workers' compensation, medical, and prescription drug claims. The County records the liability for the risk associated with the County's self-insurance activities in the Internal Service Fund.

WORKERS' COMPENSATION

The County self-insures its Workers' Compensation claims and has established a trust account (the "Workers' Compensation Trust") with a local bank to fund its workers' compensation liabilities. Under this program, the Workers' Compensation Trust provides coverage for up to a maximum of \$400,000. The County purchases commercial insurance for claims in excess of coverage provided by the Fund. There have been no changes in insurance coverages, retention limits or excess loss policies from the prior year. Settled claims have not exceeded this commercial coverage since inception.

The County establishes claims liabilities for its self-insured workers' compensation based on the requirements of GASB No. 30, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in exact amounts. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claim costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to revenue in the periods in which they are made. Such claims are not discounted.

The following summary provides aggregate information on self-insurance liabilities, incurred claims, and payments during the years ended December 31, 2013 and 2012, and reported self-insurance liabilities as of December 31, 2013 and 2012.

	<u>Liability, beginning of year</u>	<u>Incurred claims and changes in estimate</u>	<u>Benefit payments</u>	<u>Liability, End of year</u>
2013	\$ 160,000	\$ 148,537	\$ (121,304)	\$ 187,233
2012	420,000	263,467	(523,467)	160,000

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

Notes to the Financial Statements December 31, 2013

12. EMPLOYEES RETIREMENT PLAN

PLAN DESCRIPTION

The Employees' Retirement Trust Fund Plan (the "Plan") is a contributory defined benefit single employer retirement plan covering all County employees, except those hired on a part-time basis. The Plan is included in the accompanying financial statements of the County as a pension trust fund. The financial statements of the Retirement Trust Fund are prepared on the accrual basis of accounting. Plan members and employer contributions to the Plan are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

As of January 1, 2013, the date of the latest valuation, employees covered by the Plan consisted of the following:

Retirees and beneficiaries receiving benefits	664
Terminated employees entitled to benefits but not year receiving them	109
Active plan participants	510
Total membership	<u>1,283</u>
Number of participating employers	<u>1</u>

INVESTMENTS

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

FUNDING

Employees are required to contribute a portion of their salaries (5% of earnings in 2013) to the Plan and employees can elect to contribute up to 15% of their salaries. Per Act 96 of 1971, contribution requirements of the Plan members and the County may be amended by the General Assembly of the Commonwealth of Pennsylvania. Interest is credited each year in an amount allowed by the County Retirement Board to each member's account. Administrative costs of the Plan are financed through investment earnings.

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

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

**Notes to the Financial Statements
December 31, 2013**

12. EMPLOYEES RETIREMENT PLAN (continued)

The annual required contribution was determined based on the most recent annual actuarial valuation dated January 1, 2013. The entry age actuarial cost method of funding was used in the valuation, which does not identify and separately amortize unfunded actuarial liabilities. Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 7.50% per year compounded annually; (b) projected salary increases of 3.50% per annum; and (c) no postretirement benefit increases. Both (a) and (b) include an inflation component based on 3%. The method used to determine the actuarial value of assets is a five- year smoothed market.

ANNUAL PENSION COST AND PENSION OBLIGATION

The County's annual pension cost and net pension obligation for the current year were calculated as follows:

Annual required contribution	\$ 978,907
Interest on net pension obligation	6,262
Adjustment to annual required contribution	<u>11,214</u>
Annual pension cost	973,955
Contributions made	<u>978,907</u>
Decrease in net pension obligation	(4,952)
Net pension obligation, beginning of year	<u>83,497</u>
Net pension obligation, end of year	<u><u>\$ 78,545</u></u>

The County's annual required contribution for 2013 was determined as part of the January 1, 2013 actuarial valuation. The County's annual pension costs, annual required contributions and net pension benefit obligation to the County's Employees Retirement Trust Fund Plan were as follows for 2013, 2012, and 2011:

Annual Pension Cost-Three Year Trend Information

<u>Years Ended December 31,</u>	<u>Annual Pension Cost</u>	<u>Percentage of Annual Pension Cost Contributed</u>	<u>Net Pension Obligation</u>
2013	\$ 973,955	101%	\$ 78,545
2012	801,450	101%	83,497
2011	2,074,187	101%	92,915

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

**Notes to the Financial Statements
December 31, 2013**

12. EMPLOYEES RETIREMENT PLAN (continued)

ANNUAL PENSION COST AND PENSION OBLIGATION (continued)

Schedule of Contributions from the Employer Seven-Year Trend Information

<u>Years Ended December 31,</u>	<u>Annual Required Contribution</u>	<u>Percentage of Annual Required Contribution</u>
2013	\$ 978,907	100%
2012	806,725	101%
2011	1,306,185	100%
2010	2,080,118	101%
2009	1,839,850	99%
2008	-	N/A
2007	-	N/A

The funded status of the plan as of January 1, 2013, the most recent actuarial valuation date, was as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Plan Assets (a)</u>	<u>Actuarial Accrued Liability (b)</u>	<u>Total Unfunded Actuarial Liability (asset) (c)</u>	<u>Funded Ratio (a)/(b)</u>	<u>Annual Covered Payroll (d)</u>	<u>Ratio of Unfunded Liability to Annual Covered Payroll ((b-a)/d)</u>
1/1/2013	\$ 74,956,675	\$ 79,845,288	\$ 4,888,613	93.9%	\$ 17,436,210	28.0%
1/1/2012	74,240,152	78,105,342	3,865,190	95.1%	16,708,408	23.1%
1/1/2011	67,643,099	75,894,935	8,251,836	89.1%	16,758,234	49.2%

13. OTHER POSTEMPLOYMENT BENEFITS

PLAN DESCRIPTION

The County's Retiree Health and Welfare Benefit Plan (the "Plan") is a single- employer defined benefit plan administered by the County. The Plan provides postemployment benefits to eligible retirees. The County pays eligible retirees \$100 for each year of service rendered to the County (minimum of 20 years) to offset the employees cost of purchasing health insurance after retirement. The Plan is unfunded and no financial report is prepared. The Plan is authorized and under the control, maintenance and operation of the County Commissioners. During the year ended December 31, 2012, the Plan was amended to make non-union employees hired after June 26, 2012 no longer eligible to participate in the Plan.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

Notes to the Financial Statements December 31, 2013

13. OTHER POSTEMPLOYMENT BENEFITS (continued)

FUNDING POLICY

Plan members do not contribute to the plan, the County pays 100% of the cost of coverage for retired covered employees. The required contribution is based on pay- as-you-go financing requirements. The County Commissioners have the authority to amend the plan including changing the obligations of the plan members and the County to contribute to the plan.

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 GAAP. 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 30 years. The following 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:

Annual required contribution	\$ 518,462
Interest on net OPEB obligation	30,422
Adjustment to annual required contribution	<u>43,988</u>
Annual OPEB cost	504,896
Contributions made	<u>442,291</u>
Increase in net OPEB obligation	62,605
Net OPEB obligation, beginning of year	<u>760,556</u>
Net OPEB obligation, end of year	<u><u>\$ 823,161</u></u>

The net OPEB obligation is recorded as an expense within the accompanying statement of activities within the general government function in the amount of \$62,605.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

**Notes to the Financial Statements
December 31, 2013**

13. OTHER POSTEMPLOYMENT BENEFITS (continued)

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for December 31, 2013 were as follows:

<u>Years Ended December 31,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2013	\$ 502,523	93.4%	\$ 823,161
2012	504,896	94.2%	789,994
2011	583,599	82.8%	760,556

FUNDED STATUS AND FUNDING PROGRESS

The funded status of the Plan as of January 1, 2013, per the January 1, 2013 actuarial valuation, the most recent actuarial valuation date, was as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Plan Assets (a)</u>	<u>Actuarial Accrued Liability (b)</u>	<u>Total Unfunded Actuarial Liability (asset) (c)</u>	<u>Funded Ratio (a)/(b)</u>	<u>Annual Covered Payroll (d)</u>	<u>Ratio of Unfunded Liability to Annual Covered Payroll ((b-a)/d)</u>
1/1/2013	\$ -	\$ 7,048,865	\$ 7,048,865	0.0%	\$ 17,436,210	40.4%
1/1/2012	-	7,153,256	7,153,256	0.0%	16,708,408	42.8%
1/1/2011	-	7,847,154	7,847,154	0.0%	16,758,234	46.8%

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 health care cost trends. Actuarial 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.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

Notes to the Financial Statements December 31, 2013

13. OTHER POSTEMPLOYMENT BENEFITS (continued)

ACTUARIAL METHODS AND ASSUMPTIONS

The calculations are based on the types of benefits provided under the terms of the substantive plan at the time of valuation and on the pattern of cost sharing between the employer and plan members. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. 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, 2013 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 7.5% investment rate of return, which is the expected rate to be earned on the County's deposits. The Unfunded Actuarial Accrued Liability is being amortized using the level dollar open method of projected payroll. Projected salary increases include inflation at 3.5%. The remaining amortization period at January 1, 2013 was 28 years.

14. COMMITMENTS AND CONTINGENCIES

LITIGATION

In the normal course of business, there are various claims and suits pending against the County and its elected officials. Management is of the opinion that these matters will not have a material adverse effect on the County's financial position as of December 31, 2013.

GRANTS

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

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

Notes to the Financial Statements December 31, 2013

15. PENDING ACCOUNTING PRINCIPLES

During the year ended December 31, 2013, the County implemented the following new accounting standards. In June of 2011, GASB issued Statement No. 64, Derivative Instruments: Application of Hedge Accounting Termination Provision. Also in June of 2011, GASB issued Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. In December 2010, GASB issued Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. In November 2010, GASB issued Statement No. 61, The Financial Reporting Entity: Omnibus. Also in November 2010, GASB issued Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements. All were implemented with no material effect to the financial statements.

During the year ended December 31, 2013, the County implemented GASB No. 65 Items Previously Reported as Assets and Liabilities. Implementation of this standard required the expense of costs associated with issuance of debt in the period that the debt was raised. Additionally, implementation required the removal of the previously recorded asset for bond issue costs, which required restatement of beginning balances on the entity wide financial statements as follows:

Beginning balance	\$ 2,906,364
Implementation of GASB 65	<u>(613,299)</u>
Beginning balance, as restated	<u>\$ 2,293,065</u>

The Governmental Accounting Standards Board (GASB) issued GASB 68, Accounting and Financial Reporting for Pension Plans in June 2012 effective for the year ended December 31, 2015. In June 2012, GASB issued Statement No. 67, Financial Reporting for Pension Plans- an Amendment of GASB No. 25, effective for the year ended December 31, 2014. The County will implement these statements as of their effective dates. The County is still in the process of determining the effect of implementing these statements and expects implementation to have a material effect on the financial statements.

In March 2012, GASB issued Statement No. 66, Technical Corrections- 2012, effective for the year ended December 31, 2014. Also in March of 2012, GASB issued Statement No. 65, Items Previously Reported as Assets and Liabilities, effective for the year ended December 31, 2014. The County will implement these statements as of their effective dates. While the County is still in the process of determining the effects of implementing these GASB statements, they are not expected to have a material effect on the financial position of the County.

REQUIRED SUPPLEMENTARY INFORMATION

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

**Required Supplementary Information
December 31, 2013**

**Employees Retirement Trust Fund
Schedule of Funding Progress
2011, 2012, 2013**

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Total Unfunded Actuarial Liability (asset) (c)	Funded Ratio (a)/(b)	Annual Covered Payroll (d)	Ratio of Unfunded Liability to Annual Covered Payroll ((b-a)/d)
1/1/2013	\$ 74,956,675	\$ 79,845,288	\$ 4,888,613	93.9%	\$ 17,436,210	28.0%
1/1/2012	74,240,152	78,105,342	3,865,190	95.1%	16,708,408	23.1%
1/1/2011	67,643,099	75,894,935	8,251,836	89.1%	16,758,234	49.2%

**Employees Retirement Trust Fund
Schedule of Employer Contributions
2011, 2012, 2013**

Years Ended December 31,	Annual Required Contribution	Percentage of Annual Required Contribution
2013	\$ 978,907	100%
2012	806,725	101%
2011	1,306,185	100%

The accompanying notes are an integral part of this schedule.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

**Required Supplementary Information
December 31, 2013**

**Retiree Health and Welfare Benefit Plan
Schedule of Funding Progress
2011, 2012, 2013**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Plan Assets (a)</u>	<u>Actuarial Accrued Liability (b)</u>	<u>Total Unfunded Actuarial Liability (asset) (c)</u>	<u>Funded Ratio (a)/(b)</u>	<u>Annual Covered Payroll (d)</u>	<u>Ratio of Unfunded Liability to Annual Covered Payroll ((b- c)/d)</u>
1/1/2013	\$ -	\$ 7,048,865	\$ 7,048,865	0.0%	\$ 17,436,210	40.4%
1/1/2012	-	7,153,256	7,153,256	0.0%	16,708,408	42.8%
1/1/2011	-	7,847,154	7,847,154	0.0%	16,758,234	46.8%

**Retiree Health and Welfare Benefit Plan
Schedule of Employer Contributions
2011, 2012, 2013**

<u>Years Ended December 31,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2013	\$ 502,523	93.4%	\$ 823,161
2012	504,896	94.2%	789,994
2011	583,599	82.8%	760,556

The accompanying notes are an integral part of this schedule.

COMBINING AND INDIVIDUAL FUND STATEMENTS

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

**Combining Balance Sheet
Nonmajor Governmental Funds
As of December 31, 2013**

	ACT 35	DOMESTIC RELATIONS	LIQUID FUELS	WEATHERIZATION	ADULT SERVICES	EMERGENCY MANAGEMENT	FLOOD MITIGATION	AREA AGENCY ON AGING	DRUGS & ALCOHOL
ASSETS:									
Cash and cash equivalents	\$ 120,897	\$ -	\$ 2,229,091	\$ -	\$ 6,653	\$ 80,406	\$ 6,035	\$ 426,909	\$ 189,260
Due from other funds	-	-	47	-	-	-	-	91,155	17,642
Receivable from other governments	-	199,150	85,530	72,214	8,755	13,989	-	-	19,722
Other receivables	14,457	-	-	25	-	14,512	-	52,069	8,305
Other assets	-	21,860	3,668	36,517	2,719	1,224	-	35,555	4,919
TOTAL	135,354	221,010	2,318,336	108,756	18,127	110,131	6,035	605,688	239,848
LIABILITIES									
Liabilities:									
Accounts Payable	6,757	9,344	88,074	2,449	2,138	14,549	-	83,891	37,567
Due to other funds	-	93,545	-	102,478	16	-	-	870	37
Payable to other governments	-	-	-	-	-	-	-	16,309	-
Deferred revenue	-	82,292	-	-	6,347	12,148	-	251,428	34,644
Other accrued expenses	-	35,829	4,570	3,829	3,293	4,396	-	53,940	10,190
Escrow Liabilities	-	-	-	-	-	-	-	-	-
Total liabilities	6,757	221,010	92,644	108,756	11,794	31,093	-	406,438	82,438
FUND BALANCES,									
Restricted for,									
Program purposes	128,597	-	2,225,692	-	6,333	79,038	6,035	199,250	157,410
TOTAL	\$ 135,354	\$ 221,010	\$ 2,318,336	\$ 108,756	\$ 18,127	\$ 110,131	\$ 6,035	\$ 605,688	\$ 239,848

The accompanying notes are an integral part of this schedule.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

**Combining Balance Sheet
Nonmajor Governmental Funds
As of December 31, 2013**

CHILD CARE INFORMATION SERVICES	JUVENILE COURT	AFFORDABLE HOUSING	RECORDS IMPROVEMENT	911 CENTER	INMATE FUNDS	NORTH- UMBERLAND COUNTY AUTHORITY	TOTAL NONMAJOR GOVERNMENTAL FUNDS
\$ -	\$ 170	\$ 237,125	\$ 239,532	\$ 218,349	\$ 116,272	\$ 125,049	\$ 3,995,748
-	564	-	-	18,483	-	-	127,891
-	478,104	-	-	331	-	-	877,795
-	4,918	5,430	-	38,362	-	-	138,078
-	23,086	111	-	15,658	-	-	145,317
-	506,842	242,666	239,532	291,183	116,272	125,049	5,284,829
-	62,739	23	20,075	39,729	25,185	-	392,520
-	371,604	-	-	4,208	-	-	572,758
-	1,033	-	-	-	-	215,011	232,353
-	20,571	-	-	162,134	6,446	-	576,010
-	50,895	245	-	28,439	-	-	195,626
-	-	-	-	-	-	-	-
-	506,842	268	20,075	234,510	31,631	215,011	1,969,267
-	-	242,398	219,457	56,673	84,641	(89,962)	3,315,562
\$ -	\$ 506,842	\$ 242,666	\$ 239,532	\$ 291,183	\$ 116,272	\$ 125,049	\$ 5,284,829

The accompanying notes are an integral part of this schedule.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2013**

	ACT 35	DOMESTIC RELATIONS	LIQUID FUELS	WEATHERIZATION	ADULT SERVICES	EMERGENCY MANAGEMENT	FLOOD MITIGATION	AREA AGENCY ON AGING	DRUGS & ALCOHOL
REVENUES:									
Fees and fines	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	793,482	592,666	497,593	177,870	53,407	-	3,453,804	826,
Charges and services	249,012	121,874	62,904	-	-	79,308	-	212,496	39,
Investment earnings	627	-	8,420	-	-	-	-	1,849	1,
Miscellaneous	-	-	553,930	-	30	5,595	-	4,632	43,
Total revenues	249,639	915,356	1,217,920	497,593	177,900	138,310	-	3,672,781	910,
EXPENDITURES:									
Current:									
General government	-	-	-	-	-	-	-	-	-
Judicial	-	-	-	-	-	-	-	-	-
Public Safety	259,829	-	-	-	-	236,013	-	-	-
Human services	-	1,329,461	-	506,520	201,293	-	-	3,783,828	916,
Public works	-	-	707,847	-	-	-	-	-	-
Conservation and development	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-
Debt service:									
Principal	-	-	-	-	-	-	-	-	-
Interest and other charges	-	-	-	-	-	-	-	-	-
Total expenditures	259,829	1,329,461	707,847	506,520	201,293	236,013	-	3,783,828	916,
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(10,190)	(414,105)	510,073	(8,927)	(23,393)	(97,703)	-	(111,047)	(6,
OTHER FINANCING SOURCES (USES):									
Transfers in	-	421,076	-	12,378	18,153	87,245	-	97,670	32,
Transfers out	(7,576)	(6,971)	-	(3,451)	(4,567)	(13,125)	-	-	(20,
Total other financing sources and uses	(7,576)	414,105	-	8,927	13,586	74,120	-	97,670	12,
NET CHANGE IN FUND BALANCES	(17,766)	-	510,073	-	(9,807)	(23,583)	-	(13,377)	6,
FUND BALANCES, Beginning	146,363	-	1,715,619	-	16,140	102,621	6,035	212,627	151,
FUND BALANCES, Ending	\$ 128,597	\$ -	\$ 2,225,692	\$ -	\$ 6,333	\$ 79,038	\$ 6,035	\$ 199,250	\$ 157,

The accompanying notes are an integral part of this schedule.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2013**

CHILD CARE INFORMATION SERVICES	JUVENILE COURTS	AFFORDABLE HOUSING	RECORD IMPROVEMENTS	911 CENTER	INMATE FUND	NORTH- UMBERLAND COUNTY AUTHORITY	TOTAL NONMAJOR GOVERNMENTAL FUNDS
\$ -	\$ 33,131	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33,131
704,453	897,649	-	-	1,358,677	-	-	9,356,057
326	45,246	62,972	62,062	424,810	-	138,636	1,499,091
440	-	-	1,042	3,924	564	24	18,089
-	5,438	-	-	-	59,242	-	672,314
705,219	981,464	62,972	63,104	1,787,411	59,806	138,660	11,578,682
-	-	-	42,627	-	-	19,620	62,247
-	2,440,955	-	-	-	71,931	-	2,512,886
-	-	-	-	2,017,883	-	-	2,513,725
705,219	-	183,791	-	-	-	-	7,627,017
-	-	-	-	-	-	-	707,847
-	-	-	-	-	-	-	-
-	-	-	-	-	-	17,500	17,500
-	-	-	-	-	-	110,136	110,136
705,219	2,440,955	183,791	42,627	2,017,883	71,931	147,256	13,551,358
-	(1,459,491)	(120,819)	20,477	(230,472)	(12,125)	(8,596)	(1,972,676)
-	1,459,491	-	-	152,475	-	-	2,281,029
-	-	-	(425)	-	-	-	(56,115)
-	1,459,491	-	(425)	152,475	-	-	2,224,914
-	-	(120,819)	20,052	(77,997)	(12,125)	(8,596)	252,238
-	-	363,217	199,405	134,670	96,766	(81,366)	3,063,324
\$ -	\$ -	\$ 242,398	\$ 219,457	\$ 56,673	\$ 84,641	\$ (89,962)	\$ 3,315,562

The accompanying notes are an integral part of this schedule.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

**Combining Statement of Fiduciary Net Position
Fiduciary Funds Agency
December 31, 2013**

	TREASURER ESCROW	MEDICAL CLAIMS	TAX CLAIM ESCROW	COAL LAND ROYALTY	SHERIFF ESCROW	BID DEPOSIT ESCROW	ESCHEATS
ASSETS:							
Cash and cash equivalents	\$ 17,639	\$ 137	\$ 539,251	\$ 63,457	\$ 313,363	\$ -	\$ 156,498
Restricted cash	-	-	-	-	-	-	-
Other receivables	8	21,714	18,186	-	7	-	-
TOTAL	\$ 17,647	\$ 21,851	\$ 557,437	\$ 63,457	\$ 313,370	\$ -	\$ 156,498
LIABILITIES:							
Accounts payable	\$ -	\$ -	\$ 242,629	\$ 18,191	\$ -	\$ -	\$ -
Due to other governments	-	-	-	-	-	-	156,498
Refunds payable and others	17,647	21,851	314,808	45,266	313,370	-	-
TOTAL	\$ 17,647	\$ 21,851	\$ 557,437	\$ 63,457	\$ 313,370	\$ -	\$ 156,498

The accompanying notes are an integral part of this schedule.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

**Combining Statement of Fiduciary Net Position
Fiduciary Funds Agency
December 31, 2013**

PROTHONOTARY	JUVENILE COURT RESTITUTION	DISTRICT JUSTICE	MH/MR PATIENT	REGISTER and RECORDER	DOMESTIC RELATIONS	COURT COST	TOTAL
\$ 365,480	\$ 51,717	\$ 96,904	\$ 358,808	\$ 7,831	\$ 8,511	\$ 168,256	\$ 2,147,852
-	-	-	-	-	-	-	-
-	20	-	-	-	-	-	39,935
<u>\$ 365,480</u>	<u>\$ 51,737</u>	<u>\$ 96,904</u>	<u>\$ 358,808</u>	<u>\$ 7,831</u>	<u>\$ 8,511</u>	<u>\$ 168,256</u>	<u>\$ 2,187,787</u>
\$ -	\$ 6,409	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 267,229
-	-	-	-	-	-	-	156,498
365,480	45,328	96,904	358,808	7,831	8,511	168,256	1,764,060
<u>\$ 365,480</u>	<u>\$ 51,737</u>	<u>\$ 96,904</u>	<u>\$ 358,808</u>	<u>\$ 7,831</u>	<u>\$ 8,511</u>	<u>\$ 168,256</u>	<u>\$ 2,187,787</u>

The accompanying notes are an integral part of this schedule.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

**Schedule of Revenue, Expenditures, and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended December 31, 2013**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCES WITH FINAL BUDGET- POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES:				
Taxes	\$ 13,813,843	\$ 12,853,125	\$ 15,745,723	\$ 2,892,598
Intergovernmental	1,049,523	1,315,367	749,448	(565,919)
Charges for services	4,436,635	5,338,392	4,405,560	(932,832)
Investment earnings	96,100	96,100	129,106	33,006
Indirect costs	651,173	651,173	710,779	59,606
Miscellaneous	180,630	180,630	412,651	232,021
Total revenues	20,227,904	20,434,787	22,153,267	1,718,480
EXPENDITURES:				
Current:				
General government	6,109,789	6,079,462	5,812,256	267,206
Judicial:				
Jail	4,016,579	4,016,929	4,299,599	(282,670)
Other	5,267,584	5,452,593	5,369,556	83,037
Public safety	1,571,831	1,623,516	1,596,446	27,070
Human services	144,817	145,193	135,556	9,637
Conservation and development	230,068	227,794	231,508	(3,714)
Culture and recreation	1,500	1,500	1,500	-
Total expenditures	17,342,168	17,546,987	17,446,421	100,566
EXCESS OF REVENUES OVER EXPENDITURES	2,885,736	2,887,800	4,706,846	1,819,046
OTHER FINANCING SOURCES (USES):				
Transfers in	830,334	715,000	2,041,753	1,326,753
Transfers out	(3,573,480)	(3,602,800)	(3,933,512)	(330,712)
Total other financing uses, net	(2,743,146)	(2,887,800)	(1,891,759)	996,041
Net change in fund balances	142,590	-	2,815,087	2,815,087
Fund balances, beginning	-	-	(1,621,502)	-
Fund balances, ending	\$ -	\$ -	\$ 1,193,585	\$ -

The accompanying notes are an integral part of this schedule.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

**Schedule of Revenue, Expenditures, and Changes in Fund Balance
Budget and Actual
Mental Health/Mental Retardation
For the Year Ended December 31, 2013
(Unaudited) Budgeted Amounts**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET- POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES:				
Intergovernmental	\$ 11,076,835	\$ 10,711,050	\$ 9,396,934	\$ (1,314,116)
Charges for services	65,490	474,286	373,432	(100,854)
Investment earnings	11,355	11,355	3,684	(7,671)
Miscellaneous Revenue	-	-	250	250
Total revenues	11,153,680	11,196,691	9,774,300	(1,422,391)
EXPENDITURES,				
Current,				
Human services	11,153,680	11,196,691	10,100,575	1,096,116
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	(326,275)	(326,275)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	449,605	449,605
Transfers out	-	-	(201,341)	(201,341)
Total other financing sources and uses	-	-	248,264	248,264
NET CHANGE IN FUND BALANCES	-	-	(78,011)	-
FUND BALANCES, Beginning	-	-	88,692	-
FUND BALANCES, Ending	\$ -	\$ -	\$ 10,681	\$ -

The accompanying notes are an integral part of this schedule.

COUNTY OF NORTHUMBERLAND, PENNSYLVANIA

**Schedule of Revenue, Expenditures, and Changes in Fund Balance
Budget and Actual
Children and Youth
For the Year Ended December 31, 2013
(Unaudited) Budgeted Amounts**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET- POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES:				
Intergovernmental	\$ 8,299,786	\$ 8,383,328	\$ 6,530,068	\$ (1,853,260)
Charges for services	337,500	337,500	400,781	63,281
Total revenues	8,637,286	8,720,828	6,930,849	(1,789,979)
EXPENDITURES,				
Current,				
Human services	8,637,286	8,720,828	8,224,248	(496,580)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	(1,293,399)	(1,293,399)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	1,293,399	1,293,399
Transfers out	-	-	-	-
Total other financing sources and uses	-	-	1,293,399	1,293,399
NET CHANGE IN FUND BALANCES	-	-	-	-
FUND BALANCES, Beginning	-	-	-	-
FUND BALANCES, Ending	\$ -	\$ -	\$ -	\$ -

The accompanying notes are an integral part of this schedule.