

**COUNTY OF ADAMS
GETTYSBURG, PENNSYLVANIA**

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

COUNTY OF ADAMS
YEAR ENDED DECEMBER 31, 2013

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Zelenkofske Axelrod LLC

INDEPENDENT AUDITORS' REPORT

County Commissioners
County of Adams
Gettysburg, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the COUNTY OF ADAMS, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the COUNTY OF ADAMS's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the blended component unit financial statements for the Adams County Industrial Development Authority, which represent 5%, 5%, and 2% of the assets, net position, and revenues, respectively, of the business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for those business-type activities, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Adams County Industrial Development were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Harrisburg

830 St Thomas Court, Suite 100
Harrisburg, PA 17109
717.561.9200 Fax 717.561.9202

Philadelphia

2370 York Road, Suite A-5
Janison, PA 18929
215.918.2277 Fax 215.918.2302

Pittsburgh

3800 McKnight E. Drive, Suite 3805
Pittsburgh, PA 15237
412.367.7102 Fax 412.367.7103

Zelenkofske Axelrod LLC

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Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the COUNTY OF ADAMS, as of December 31, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Adoptions of New GASB's

As described in Note 1 to the financial statements, in 2013 the COUNTY OF ADAMS adopted the provisions of Governmental Accounting Standards Board's Statement No. 61 "*The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*," the provisions of Statement No. 65, "*Items Previously Reported as Assets and Liabilities*," and the provisions of Statement No. 66, "*Technical Corrections - 2012- An Amendment of GASB Statements No. 10 and No.62*". Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress for postemployment benefits other than pensions, and budgetary comparison schedules of pages 4 through 20 and pages 69, 70, 71, and 72 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2014 on our consideration of the COUNTY OF ADAMS's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the COUNTY OF ADAMS's internal control over financial reporting and compliance.

Zelenkofske Axelrod LLC

ZELENKOFKSKE AXELROD LLC

Harrisburg, Pennsylvania
September 12, 2014

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013**

The COUNTY OF ADAMS, hereafter referred to as the "COUNTY", is pleased to present its financial statements developed in compliance with Statement of Governmental Accounting Standard No. 34, entitled "Basic Financial Statements – Management's Discussion and Analysis – For State and Local Governments (hereafter "GASB 34"), and related standards. GASB 34 enhances information provided to the users of its financial statements. This section of the financial reporting package presents our discussion and analysis of the COUNTY'S financial performance during the years ended December 31, 2012 and December 31, 2013. Please read it in conjunction with the COUNTY'S financial statements that follow this section. Certain reclassifications were made to prior year amounts to conform to the current year presentation.

Financial Highlights:

- Total assessed taxable property values in 2013 were 9,065,451,400 with no increase to the County Millage. The Library millage rate remained at .1147 mills during 2013 with an overall total County Millage of 3.7328 in 2013.
- County completed operations in 2013 with a net increase in fund balance of \$1.8 million. The COUNTY'S general fund balance was \$17.6 million with an unassigned portion of \$17 million.
- The COUNTY'S total net position increased by approximately \$2.5 million due to an increase in the Governmental Activities as a result of increased revenues from both the Children and Youth and Managed Care Programs.
- The COUNTY showed a decrease in **unrestricted** total net position at year-end of \$2.2 million.
- The County's bond rating remains as A1 at December 31st, 2013.
- The County issued General Obligation 2013 Bonds Series A & B in the principal amount of \$10 million. The Bonds were used to fund various capital improvements throughout the County.
- The County had \$66,329,426 of general obligation debt outstanding as of December 31, 2013. This represents a decrease of \$1.3 million or 2% from the previous year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists of the following three parts:

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

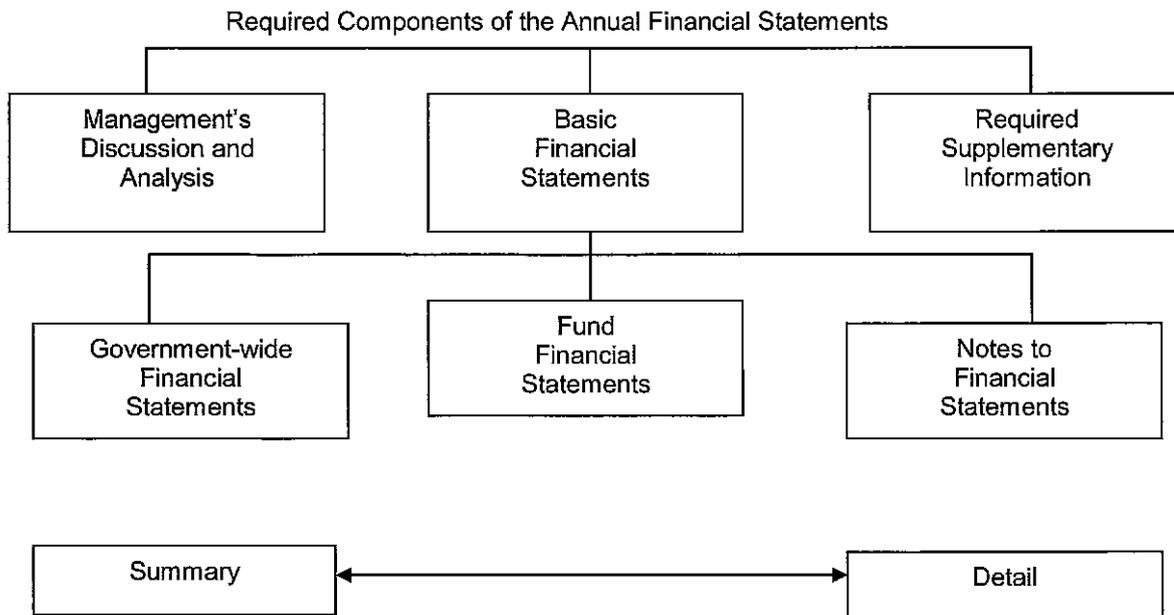
Management's discussion and analysis is a guide to reading the financial statements and provides related information to help the reader to better understand the COUNTY'S government. The basic financial statements include notes that provide additional information essential to a full understanding of the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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013**

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

- *Government-wide financial statements*, the first two statements, provide information about the COUNTY'S overall financial status as well as the financial status of the County's component units.
- *Fund financial statements*, the remaining statements, focus on individual parts of the COUNTY'S government. They provide more detail on operations than the government-wide statements. There are three types of fund financial statements:
 - *Governmental funds statements* show how general government services such as public safety, human services, public works, culture and recreation, and conservation and development are financed in the short term, as well as what remains for future spending.
 - *Proprietary fund statements* offer short-term and long-term financial information about the activities the COUNTY operates like a business, such as the emergency 911 telephone fund.
 - *Fiduciary funds statements* reflect activities involving resources that are held by the COUNTY as a trustee or agent for the benefit of others. Fiduciary funds are not reflected in the government-wide statements because the resources cannot be used to support the COUNTY'S programs.

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



**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013**

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013**

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

Government-wide financial statements

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

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

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

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

The primary government and its component units are included in the government-wide financial statements. Component units reflect the activities of legally separate government entities over which the County can exercise influence and/or be obligated to provide financial support. The County has one blended component unit, the Adams County Industrial Development Authority. (See Note 1, Notes to the Financial Statements.)

There are two categories of activities for the primary government:

- *Governmental activities* include the COUNTY'S basic services such as general government, judicial, public safety, public works, human services, culture and recreation, and conservation and development.
- *Business-type activities* such as the 911 emergency telephone fund charge a fee to customers to help cover the costs of services.

Net position of the governmental activities differ from the governmental fund balances because governmental fund level statements only report transactions using or providing current financial resources. Also, capital assets in the fund level statements are reported as expenditures when financial resources (money) are expended to purchase or build assets. Likewise, the financial resources that may have been borrowed are considered revenue when they are received. The principal and interest payments are both considered expenditures when paid. Depreciation is not calculated as it does not provide or reduce current financial resources. Finally, capital assets and long-term debt do not affect fund balances.

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013**

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

Fund Financial Statements

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

The COUNTY has three kinds of funds:

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

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013**

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Net Position

The COUNTY'S total assets were \$79,372,270 at December 31, 2013. The COUNTY'S deferred outflows of resources totaled \$5,168,718. Of this amount, \$49,212,385 was capital assets.

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

Condensed Statement of Net Position

	Governmental activities <u>2012</u>	Governmental activities <u>2013</u>	Changes from <u>2012 to 2013</u>
Capital Assets	\$50,315,851	\$49,212,385	\$(1,103,466)
Other Assets	<u>27,865,060</u>	<u>30,159,885</u>	<u>\$2,294,825</u>
	<u>\$78,180,911</u>	<u>\$79,372,270</u>	<u>\$1,191,359</u>
Deferred Outflows of Resources	<u>\$8,298,933</u>	<u>\$5,168,718</u>	<u>\$(3,130,215)</u>
Current Liabilities	\$ 6,375,941	\$ 7,208,201	\$ 832,260
Long-Term Liabilities	<u>53,604,569</u>	<u>48,286,365</u>	<u>(5,318,204)</u>
Total Liabilities	<u>\$59,980,510</u>	<u>\$55,494,566</u>	<u>\$(4,485,944)</u>
Net Position:			
Net Investment in capital assets	\$11,493,427	\$11,708,826	\$215,399
Restricted	3,609,238	6,141,694	2,532,456
Unrestricted	<u>11,396,669</u>	<u>11,195,902</u>	<u>(200,767)</u>
	<u>\$26,499,334</u>	<u>\$29,046,422</u>	<u>\$2,547,088</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013**

Condensed Statement of Net Position

	Business-Type activities <u>2012</u>	Business- Type activities <u>2013</u>	Changes from <u>2012 to 2013</u>
Capital Assets	\$8,025,037	\$12,491,819	\$4,466,782
Other Assets	<u>19,478,172</u>	<u>15,382,200</u>	<u>(4,095,972)</u>
	<u>\$27,503,209</u>	<u>\$27,874,019</u>	<u>\$370,810</u>
Deferred Outflows of Resources	<u>\$-</u>	<u>\$31,718</u>	<u>\$31,718</u>
Current Liabilities	\$ 1,413,388	\$ 1,234,640	\$(178,748)
Long-Term Liabilities	<u>22,743,049</u>	<u>23,328,273</u>	<u>585,224</u>
Liabilities	<u>\$24,156,437</u>	<u>\$24,562,913</u>	<u>\$406,566</u>
Net Position:			
Net Investment in capital assets	\$2,499,654	\$2,549,387	\$49,733
Restricted	-	1,503,331	1,503,331
Unrestricted (Deficit)	<u>847,118</u>	<u>(709,894)</u>	<u>(1,557,012)</u>
	<u>\$3,346,772</u>	<u>\$3,342,824</u>	<u>\$(3,948)</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013**

Change in Net Position

The following condensed statement of activities represents changes in net position for the year ended December 31, 2012, December 31, 2013 and the changes from 2012 to 2013. It shows revenues by source and expenses by function for governmental activities, business-type activities and the changes from the prior year.

Condensed Statement of Activities

	Governmental activities <u>2012</u>	Governmental activities <u>2013</u>	Changes From <u>2012 to 2013</u>
Program Revenues:			
Charges for Services	\$7,599,987	\$6,819,328	(780,659)
Operating Grants and Contributions	22,745,204	24,784,994	2,039,790
Capital Grants and Contributions	1,088,202	-	(1,088,202)
General Revenues:			
Property Taxes	31,558,506	31,837,110	278,604
Per Capita Taxes	338,921	350,655	11,734
Hotel Taxes	1,474,084	2,479,651	1,005,567
Unrestricted Investment Earnings/(Loss)	691,297	(376,967)	(1,068,264)
Transfers	(1,858,740)	(36,580)	1,822,160
Swap Proceeds	-	96,913	96,913
Miscellaneous	635,745	763,434	127,689
	<u>64,273,206</u>	<u>66,718,538</u>	<u>2,445,332</u>
Expenses:			
General Government - Administrative	8,368,102	11,110,739	2,742,637
General Government - Judicial	8,565,763	6,075,694	(2,490,069)
Public Safety	17,184,343	16,283,462	(900,881)
Public Works	325,657	652,483	326,826
Human Services	21,907,121	22,646,605	739,484
Culture and Recreation	1,697,785	2,669,057	971,272
Conservation and Development	2,104,021	2,696,638	592,617
Debt Service	2,234,030	2,036,769	(197,261)
	<u>62,386,822</u>	<u>64,171,450</u>	<u>1,784,628</u>
Change in Net Position	1,886,384	2,547,088	660,704
Net Position – Beginning of the Year	<u>24,612,950</u>	<u>26,499,334</u>	<u>1,886,384</u>
Net Position – End of the Year	<u>\$26,499,334</u>	<u>\$29,046,422</u>	<u>\$2,547,088</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013**

Condensed Statement of Activities

	Business- Type activities <u>2012</u>	Business- Type activities <u>2013</u>	Changes From <u>2012 to 2013</u>
Program Revenues:			
Charges for Services	\$1,800,545	\$1,422,510	(\$378,035)
Operating Grants and Contributions	121,309	-	(121,309)
General Revenues:			
Unrestricted Investment Earnings	12,590	52,645	40,055
Property Taxes	1,676,617	1,744,739	68,122
Transfers	1,858,740	36,580	(1,822,160)
Miscellaneous	11,550	18,735	7,185
	<u>5,481,351</u>	<u>3,275,209</u>	<u>(2,206,142)</u>
Expenses:			
Adams County IDA	-	74,638	74,638
Emergency 911 System	3,423,720	3,204,519	(219,201)
	<u>3,423,720</u>	<u>3,279,157</u>	<u>(144,563)</u>
Change in Net Position	2,057,631	(3,948)	(2,061,579)
Net Position – Beginning of the Year	<u>1,289,141</u>	<u>3,346,772</u>	<u>2,057,631</u>
Net Position – End of the Year	<u>\$ 3,346,772</u>	<u>\$3,342,824</u>	<u>\$ (3,948)</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013**

Net Program Expenses

Net program expenses indicate the amount of support required from taxes and other general revenues for a program of the government. In 2013 property, hotel, and per capita taxes brought in \$36,412,155.

Net Cost of Governmental and Business-type Activities

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Program:		
General Government - Administrative	\$11,110,739	\$9,008,817
General Government – Judicial	6,075,694	2,590,063
Public Safety	16,283,462	13,595,597
Public Works	652,483	(77,521)
Human Services	22,646,605	1,561,463
Culture and Recreation	2,669,057	2,667,142
Conservation and Development	2,696,638	1,184,798
Debt Service	2,036,769	2,036,769
Adams County IDA	74,638	20,205
Emergency 911 System	<u>3,204,519</u>	<u>1,836,442</u>
Total	<u>\$67,450,604</u>	<u>\$34,423,775</u>

The COUNTY relied on property taxes and other general revenues to fund 51% of its governmental and business-type activities in 2013.

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

Eighty-one percent of the Administrative system expenses and 43 percent of the judicial system expenses came from property tax and other general revenues with the remainder coming from grants, fines and court costs. Property taxes and other general revenues covered 83 percent of public safety costs with the remainder coming from grants and charges for services.

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

Property tax and other general revenues funded 100 percent the cost of culture and recreation; 7 percent of Human services; 44 percent of Conservation and development and 27 percent of Adams County Industrial Development Agency.

The COUNTY'S Emergency 911 System was funded 43 percent by surcharges on phone bills passed through from telephone companies and other general revenues, and 57 percent by property tax revenue.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013**

Capital Assets

The COUNTY'S investment in capital assets at December 31, 2013, net of accumulated depreciation, was \$64,594,585. Capital assets consist primarily of land, infrastructure, buildings, agricultural easements, and equipment. The following is a summary of capital assets at December 31, 2013:

	Governmental Activities	Business Type Activities	Total
Land	\$896,241	\$51,041	\$947,282
Construction In Process	-	10,308,547	10,308,547
Infrastructure	7,486,218	-	7,486,218
Building and Improvements	48,258,783	5,812,788	54,071,571
Equipment and Vehicles	7,850,889	2,081,968	9,932,857
Agricultural Easements	9,353,933	-	9,353,933
Accumulated Depreciation	(24,633,679)	(2,872,144)	(27,505,823)
Total Net Capital Assets	\$49,212,385	\$15,382,200	\$64,594,585

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013**

Debt Administration

At December 31, 2013, the COUNTY had \$66,329,426 of debt outstanding, excluding compensated absences. Debt decreased 2% from the previous year. The following is a summary of general obligation bonds, notes, and other liabilities for the 2013 year:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental Activities:				
Bonds and Note Payable:				
General obligation bonded debt	\$43,781,656	\$62,195	\$(1,859,910)	\$41,983,941
Guaranteed revenue bonds	923,690	-	(159,156)	764,534
Loan payable	161,593	-	(31,318)	130,275
Plus: Bond Premium	417,432	-	(17,393)	400,039
Less: Bond Discount	-	-	-	-
Total Bonds and Note Payable:	45,284,371	62,195	(\$2,067,777)	43,278,789
Other Long Term Liabilities:				
Compensated absences	960,719	36,628	-	997,347
Total Other Liabilities	960,719	36,628	-	997,347
Governmental Activities:				
Long-Term Liabilities	\$46,245,090	\$98,823	(\$2,067,777)	\$44,276,136
Business-Type Activities:				
Bonds Payable:				
General Obligation bonded debt	\$ 22,763,344	\$ 1,337,422	(\$650,090)	\$ 23,450,676
Plus: Bond Premium	594,781	-	(24,782)	569,999
Total Bonds Payable	23,358,125	1,337,422	(674,872)	24,020,675
Other Liabilities:				
Compensated absences	59,797	-	4,357	55,440
Total Other Liabilities	59,797	-	4,357	55,440
Business-Type Activities				
Long-Term Liabilities	\$23,417,922	\$1,337,422	(\$679,229)	\$24,076,115

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013**

GOVERNMENTAL FUNDS

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

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

The COUNTY'S governmental funds include the general fund, special revenue funds, capital project funds, and the debt service funds. The general fund is the chief operating fund for the COUNTY. Special revenue funds are restricted to specific legislated use. Capital project funds account for the proceeds of bond issues. Debt service funds account for the payment of principle and interest on debt. The major funds are shown on the statement of revenues, expenditures and changes in fund balances in the financial statements.

GOVERNMENTAL FUND REVENUES

Governmental fund revenues by source at December 31, 2012, and December 31, 2013, were as follows:

	<u>2012</u>	<u>2013</u>	<u>Changes from 2012 to 2013</u>
Revenues:			
Taxes	\$33,456,897	\$34,599,124	\$1,142,227
Intergovernmental Revenues	23,679,316	24,593,865	914,549
Charges for Services	7,175,384	5,910,420	(1,264,964)
Interest and Rents	146,969	136,949	(10,020)
Licenses and Permits	110,679	119,813	9,134
Court Costs and Fines	270,756	605,499	334,743
Miscellaneous	768,570	1,061,016	292,446
Debt Proceeds	4,140,924	62,195	(4,078,729)
Issuance of Refunding Notes	15,314,310	-	(15,314,310)
Swap Proceeds	90,582	96,913	6,331
Bond Premium	434,826	-	(434,826)
Operating transfers in	7,901,017	5,258,317	(2,642,700)
	<u>\$93,490,230</u>	<u>\$72,444,111</u>	<u>(\$21,046,119)</u>

Taxes increased by \$1.1 million in Revenues primarily due to an increase in the Hotel Tax Revenue as a result of an amendment to the Hotel Tax Law Ordinance.

Intergovernmental Revenues increased by approximately \$900,000 due to additional Federal ARRA Grant funding for Children Services. In addition, an increase of State funding from Act 13 Marcellus Shale distributions. Human Services for our Managed Care Program –Health Choices increased as well.

Debt Proceeds and Issuance of refunding notes decreased in 2013 because the County issued a refunding of notes, General Obligation Bonds Series 2012. In 2013, the County issued a new note series, but only drew down a small portion of the funds during the year.

Operating transfers decreased by 2.6 million in 2013 because there were less transfers from Children & Youth Services.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013**

Governmental fund revenues totaled over \$72.4 million for the year ended December 31, 2013. This is a decrease of \$21 million from 2012.

GOVERNMENTAL FUND EXPENDITURES

Governmental fund expenditures by function at December 31, 2012 and December 31, 2013 were as follows:

	<u>2012</u>	<u>2013</u>	<u>Changes from 2012 to 2013</u>
Expenditures			
General government – Administrative	\$ 10,412,006	\$ 11,033,055	\$ 621,049
General government – Judicial	7,335,482	5,998,984	(1,336,498)
Public Safety	15,283,500	15,266,413	(17,087)
Public Works	163,466	503,958	340,492
Human Services	21,721,651	22,645,027	923,376
Culture and Recreation	1,602,776	2,573,007	970,231
Conservation and Development	1,950,625	2,696,638	746,013
Debt Service	19,271,997	4,085,575	(15,186,422)
Capital Outlay	2,282,113	231,448	(2,050,665)
Operating transfers out	9,766,138	5,294,897	(4,471,241)
	<u>\$89,789,754</u>	<u>\$70,329,002</u>	<u>(\$19,460,752)</u>

General Fund expenditures totaled \$70.3 million for the year ended December 31, 2013. This is a decrease of \$19,460,752 or eighteen percent overall. Expenditures of the governmental funds overall decreased in 2013.

Human Services expenditures increased by approximately \$900 hundred-thousand or 4% primarily due to an increase in the Children and Youth Services as well as the York-Adams Managed Care Program for Health Choices. The Managed Care program is a Joinder agreement between York and Adams County and is considered pass through funding.

Culture and Recreation expenditures increased by a total of \$970,231 due to an increase in rates as a result of changes in the Hotel Tax Law Ordinance. Also, a one-time grant received for tourism.

Conservation and Development expenditures increased \$746,013 or 38% because the County utilized the remaining funds identified from the issue of General Obligation Note Series A of 2009. Also, there was increased grant funding in the Community Development Block Grant Program and the Conservation District Programs.

Debt Service decreased by 15.1 million or 79% because the County refunded more debt during 2012 than in 2013 with respect to the Government funds only. At the same time, the County issued General Obligation Bonds, Series of 2013 for the purpose of advancing funds to the Industrial Development Agency and various capital improvements including both governmental activities and Business-Type Activities. See note 9.

Capital Outlay decreased by approximately \$2 million or 90% because the 2013 Series issue was established on a drawdown basis and few capital items were purchased.

Operating transfers out represent a decrease in the Governmental Fund Expenditures for a total 4.4 million or 46%.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013**

Governmental Fund and Proprietary Net Position Balances

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

<u>Fund</u>	<u>Governmental Funds</u>	<u>Proprietary Funds</u>
General Fund	\$17,614,770	\$ -
Children and Youth Fund	-	-
Managed Care Fund	-	-
Domestic Relations Fund	-	-
Other Governmental Funds	6,216,774	-
Adams County IDA	-	156,004
911 Fund	-	3,186,820
	<hr/>	<hr/>
Total	<u>\$23,831,544</u>	<u>\$3,342,824</u>

The COUNTY of Adams reported a total governmental fund balance for all funds of \$23.8 million at December 31, 2013, an increase of \$2.1 million from December 31, 2012. Unreserved cash carry forward was recognized as a starting balance for the 2014 budget. These reserves are discretionary and will be kept relatively strong to offset any unforeseen or unexpected expenditures.

General Fund Budgetary Highlights

In general the budget modifications during the year are primarily reclassifications from one line item to another as approved by the Board of Commissioners. The County budgets their tax revenue at a 96% collection rate and during 2013 they collected less the budgeted amount

During 2013 approximately \$1.1 million variance in miscellaneous revenue is due to the transitioning to a new financial software system, the County budgeted for their benefits in a central location. During 2013 they direct charged their actual benefits across departments causing the budget to actual variance.

Also, the County received additional Federal and State funding for Human Services programs-Managed Care. The Children Services received additional 1.2 million in grant funding and the pass through Health Choices program received an additional 500,000 in funding.

During 2013 the County over-budgeted expenditures by roughly 2.6 million when comparing to actual expenditures.

Debt Services contributes to the favorable variance as a result of The Series 2013 A & B Obligation set up on a draw down basis. The County drew down a minimum amount for Series A project, thus causing minimum interest on the loan. The Purchase of Capital defined for Series B was deferred until 2014. In summary, a variance of \$3.3 million for Principal and \$7.1 million for Capital Outlay combined with the under budgeted expenditures results in a favorable variance in expenditures of 3.1 million.

Economic Conditions

Specific key economic factors affecting the County include the following:

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013**

In General

Tourism in Adams County increased to approximately 3.7 million visitors, up 12.12 percent from 2012. The County has seen an increase in spending from 2012, tourism employment also increased from 7,260 to 7,350; and Annual Tourism Revenue rose from 116 million to 120 million. Tourism has generated 2.5 million in lodging tax for 2013 and there was an \$810 benefit to residents from tourism taxes.

Additionally, the County is continuing its work on the economic vision and developing its Economic Development Plan. Currently, the Planning Office is working on the public outreach portion of the plan which will continue through the fall/winter of 2014.

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

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

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

Market Impact on Investment Income

As in previous years, Adams County continues to invest, although the interest rates have not improved much. Most of the COUNTY'S investment income is generated by the investment of the COUNTY'S reserve funds. During 2013 the County received \$96,912 from their 2005 Basis Swap arrangement with Wachovia. This is an increase from 2012 of \$6,331 and year to date the County has netted \$378,816. See note 10 in the financial statements.

Government Funding

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

Personnel Costs

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013**

Cost Containment

During 2013 we continue moving forward with long term financial planning strategies. For example, the County has reviewed various processes and tools for staff and management to carry out more efficient operations within the County, resulting in improved services to our citizens. In addition, they have revamped their budget process focusing on available revenues, increased fees, and additional department consolidations.

Finally, the County Manager oversees' day to day operations of the County. The County Manager provides guidance and direction for the senior managers. The Manager supports networking and educational and informational platforms as resources that are utilized by the Senior Managers and the Board of Commissioners. The County Manager provides the Board of Commissioners information for improved and value driven policy decisions.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

COUNTY of Adams
Melissa C. Devlin
Finance Director
111 Baltimore Street
Gettysburg, PA 17325

Phone: 717-337-9849
Fax: 717-334-2091

COUNTY OF ADAMS
STATEMENT OF NET POSITION
DECEMBER 31, 2013

	Primary Government		
	Governmental Activities	Business-type Activity	Total
<u>Assets</u>			
Cash and Cash Equivalents	\$ 19,321,905	\$ 1,075,184	\$ 20,397,089
Investments	1,679,666	-	1,679,666
Receivables (Net, Where Applicable, of Allowance for Uncollectibles)			
Accounts	731,938	128,708	860,646
Taxes	1,535,546	-	1,535,546
Notes Receivable	365,809	54,070	419,879
Loans Receivable	488,127	-	488,127
Due From Other Governments	1,190,751	-	1,190,751
Internal Balances	(31,753)	31,753	-
Assets Held for Sale	-	1,399,838	1,399,838
Other Assets	111,662	14,242	125,904
Restricted Assets			
Cash for Workers' Compensation	42,282	-	42,282
Cash for Program Purposes	476	-	476
Cash Held in Escrow	1,188,477	-	1,188,477
Cash for Debt Service	1,122,179	-	1,122,179
Cash for Construction	1,769,895	7,269,046	9,038,941
Cash for Stream & Watershed Preservation	49,424	-	49,424
Investments for Construction	-	2,518,978	2,518,978
Investments for Debt Service	160,000	-	160,000
Investments for Stream & Watershed Preservation	433,501	-	433,501
Capital Assets, Not Being Depreciated	10,250,174	10,359,588	20,609,762
Capital Assets Being Depreciated, Net	38,962,211	5,022,612	43,984,823
Total Assets	79,372,270	27,874,019	107,246,289
<u>Deferred Outflows of Resources</u>			
Deferred Loss on Refunding	157,604	31,718	189,322
Accumulated decrease in fair value of hedging derivative	5,011,114	-	5,011,114
Total Deferred Outflows of Resources	5,168,718	31,718	5,200,436
<u>Liabilities</u>			
Liabilities			
Accounts Payable	1,762,786	323,946	2,086,732
Accrued Liabilities	896,785	57,513	954,298
Accrued Interest Payable	62,095	101,181	163,276
Unearned Revenues	1,364,700	-	1,364,700
Funds Held in Escrow	1,057,131	-	1,057,131
Due to Related Party	-	4,158	4,158
Estimated Workers' Compensation Claims	-	-	-
Long Term Liabilities:			
Due within one year			
General Obligation Debt	1,903,781	723,060	2,626,841
Guaranteed Revenue Bonds	45,768	-	45,768
Loans Payable	97,762	-	97,762
Bond Premium	17,393	24,782	42,175
Due in more than one year			
General Obligation Debt	40,080,160	22,727,616	62,807,776
Guaranteed Revenue Bonds	718,766	-	718,766
Loans Payable	32,513	-	32,513
Bond Premium	382,646	545,217	927,863
Accrued Compensated Absences	997,347	55,440	1,052,787
Fixed Pay Swap Liability	5,011,114	-	5,011,114
Upfront Payment (Borrowing)	882,194	-	882,194
Unfunded Other Postemployment Benefits	181,625	-	181,625
Total Liabilities	55,494,566	24,562,913	80,057,479
<u>Net Position</u>			
Net Position			
Net Investment in Capital Assets (Deficit)	11,708,826	2,549,387	14,258,213
Restricted	6,141,694	1,503,331	7,645,025
Unrestricted	11,195,902	(709,894)	10,486,008
Total Net Position	\$ 29,046,422	\$ 3,342,824	\$ 32,389,246

The accompanying notes are an integral part of the financial statements

COUNTY OF ADAMS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

Functions/Programs	Expenses	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
		Indirect Expenses Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
						Governmental Activities	Business-type Activities	Total
Primary government:								
Governmental activities:								
General Government - Admin	\$ 13,707,307	\$ (2,596,568)	\$ 1,695,024	\$ 406,898	\$ -	\$ (9,008,817)		\$ (9,008,817)
General Government - Judicial	4,866,019	1,209,675	1,779,128	1,706,503	-	(2,590,063)		(2,590,063)
Public Safety	15,439,932	843,530	2,240,339	447,526	-	(13,595,597)		(13,595,597)
Public Works	616,790	35,696	-	730,007	-	77,521		77,521
Human Services	22,442,778	203,827	355,646	20,729,496	-	(1,561,463)		(1,561,463)
Culture and Recreation	2,669,057	-	-	1,915	-	(2,667,142)		(2,667,142)
Conservation and Development	2,530,103	166,535	749,191	762,649	-	(1,184,798)		(1,184,798)
Interest on Debt Service	2,036,769	-	-	-	-	(2,036,769)		(2,036,769)
Total governmental activities	64,308,755	(137,305)	6,819,328	24,784,994	-	(32,567,128)		(32,567,128)
Business-type activity:								
Economic Development	74,638	-	54,433	-	-	-	(20,205)	(20,205)
Public Safety	3,067,214	137,305	1,368,077	-	-	-	(1,836,442)	(1,836,442)
Total business-type activities	3,141,852	137,305	1,422,510	-	-	-	(1,856,647)	(1,856,647)
Total Primary government	\$ 67,450,607	\$ -	\$ 8,241,838	\$ 24,784,994	\$ -	(32,567,128)	(1,856,647)	(34,423,775)
General revenues:								
Taxes:								
Property taxes, levied for general purposes						31,837,110	-	31,837,110
Property taxes, levied for capital purposes						-	1,744,739	1,744,739
Per capita taxes						350,655	-	350,655
Hotel taxes						2,479,651	-	2,479,651
Unrestricted investment earnings/(loss)						(376,967)	52,645	(324,322)
Miscellaneous						763,434	19,735	782,169
Net Loss on Asset Disposals						-	-	-
Swap Proceeds						96,913	-	96,913
Transfers						(36,580)	36,580	-
Total general revenues and transfers						35,114,216	1,852,699	36,966,915
Change in net position						2,547,088	(3,948)	2,543,140
Net position - beginning (as restated, See Note 23)						26,489,334	3,346,772	29,836,106
Net position - ending						\$ 29,046,422	\$ 3,342,824	\$ 32,389,246

COUNTY OF ADAMS
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2013

<u>Assets</u>	<u>General</u>	<u>Children & Youth</u>	<u>Domestic Relations</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and Cash Equivalents	\$ 15,105,817	\$ 273,617	\$ 615,661	\$ 3,326,810	\$ 19,321,905
Investments	1,247,146	-	-	386,068	1,633,214
Receivables					
Accounts, net	683,236	9,214	354	39,134	731,938
Taxes	1,535,546	-	-	-	1,535,546
Notes Receivable	-	-	-	365,809	365,809
Loans Receivable	488,127	-	-	-	488,127
Due From Other Funds	554,980	187,478	-	316,128	1,058,586
Due From Other Governments	170,964	603,582	292,589	123,616	1,190,751
Other Assets	110,128	1,450	-	84	111,662
Restricted Assets					
Cash for Workers' Compensation	42,282	-	-	-	42,282
Cash Held in Escrow	1,188,477	-	-	-	1,188,477
Cash for Debt Service	1,088,500	-	-	33,679	1,122,179
Cash for Program Purposes	476	-	-	-	476
Cash for Construction	-	-	-	1,769,895	1,769,895
Cash for Stream & Watershed Preservation	-	-	-	49,424	49,424
Investments for Debt Service	-	-	-	160,000	160,000
Investments for Stream & Watershed Preservation	-	-	-	433,501	433,501
Total Assets	\$ 22,215,679	\$ 1,075,341	\$ 908,604	\$ 7,004,148	\$ 31,203,772

The accompanying notes are an integral part of the financial statements

COUNTY OF ADAMS
 BALANCE SHEET (CONTINUED)
 GOVERNMENTAL FUNDS
 DECEMBER 31, 2013

<u>Liabilities and Fund Balances</u>	<u>General</u>	<u>Children & Youth</u>	<u>Domestic Relations</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Liabilities					
Accounts Payable	\$ 956,250	\$ 565,935	\$ -	\$ 240,601	\$ 1,762,786
Accrued Liabilities	821,259	75,393	-	133	896,785
Unearned Revenue - Other	28,688	431,452	613,891	290,669	1,364,700
Due to Other Funds	537,094	2,561	294,713	255,971	1,090,339
Funds Held in Escrow	1,057,131	-	-	-	1,057,131
Total Liabilities	3,400,422	1,075,341	908,604	787,374	6,171,741
Deferred Inflow of Resources					
Unavailable Revenue - Property Taxes	1,200,487	-	-	-	1,200,487
Total Deferred Inflows of Resources	1,200,487	-	-	-	1,200,487
Fund Balances					
Fund Balances					
Nonspendable	598,255	-	-	75,080	673,335
Restricted	-	-	-	6,141,694	6,141,694
Unassigned	17,016,515	-	-	-	17,016,515
Total Fund Balances	17,614,770	-	-	6,216,774	23,831,544
Total Liabilities and Fund Balances	\$ 22,215,679	\$ 1,075,341	\$ 908,604	\$ 7,004,148	\$ 31,203,772

The accompanying notes are an integral part of the financial statements

COUNTY OF ADAMS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 DECEMBER 31, 2013

Total fund balances for governmental funds \$ 23,831,544

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

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

Those assets consist of:

Land	896,241	
Agricultural Easements	9,353,933	
Infrastructure, net of \$3,472,058 accumulated depreciation	4,014,160	
Buildings and improvements, net of \$14,632,699 accumulated depreciation	33,626,084	
Equipment and vehicles, net of \$6,528,922 accumulated depreciation	1,321,967	
Total Capital Assets	49,212,385	49,212,385

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

1,200,487

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

Balances at December 31, 2013 are:

Accrued interest on bonds	(62,095)	
General obligation debt	(41,983,941)	
Guaranteed Revenue Bonds	(764,534)	
Loans Payable	(130,275)	
Compensated absences	(997,347)	
Deferred loss on refunding	157,604	
Deferred inflow of resources	5,011,114	
Fixed Pay Swap Liability	(5,011,114)	
Upfront Payment	(882,194)	
Investment Derivative	46,452	
Liability for Other Postemployment Benefits	(181,625)	
Bond Premium	(400,039)	
	(45,197,994)	(45,197,994)

Total net position of governmental activities

\$ 29,046,422

COUNTY OF ADAMS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	General	Children & Youth	Domestic Relations	Managed Care	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	\$ 32,119,473	\$ -	\$ -	\$ -	\$ 2,479,651	\$ 34,599,124
Intergovernmental Revenues	2,188,697	6,740,337	867,449	13,510,751	1,286,631	24,593,865
Charges for Services	4,706,262	-	5,532	-	1,198,626	5,910,420
Interest and Rents	55,935	1,212	915	-	78,887	136,949
License and Permits	119,813	-	-	-	-	119,813
Court Costs and Fines	605,499	-	-	-	-	605,499
Miscellaneous	763,434	99,466	-	-	198,116	1,061,016
Total Revenues	40,559,113	6,841,015	873,896	13,510,751	5,241,911	67,026,686
Expenditures						
Current:						
General Government - Administrative	10,849,074	-	-	-	183,981	11,033,055
General Government - Judicial	5,856,814	-	92,962	-	49,208	5,998,984
Public Safety	14,939,605	-	-	-	326,808	15,266,413
Public Works	-	-	-	-	503,958	503,958
Human Services	1,924,394	7,097,772	-	13,510,751	112,110	22,645,027
Culture and Recreation	581,390	-	-	-	1,991,617	2,573,007
Conservation and Development	878,956	-	-	-	1,817,682	2,696,638
Debt Service						
Principal	-	-	-	-	2,050,384	2,050,384
Interest	1,261,855	-	-	-	773,336	2,035,191
Capital Outlay	-	-	-	-	231,448	231,448
Total Expenditures	36,292,088	7,097,772	92,962	13,510,751	8,040,532	65,034,105
Excess of Revenues Over (Under)						
Expenditures	4,267,025	(256,757)	780,934	-	(2,798,621)	1,992,581
Other Financing Sources (Uses)						
Operating Transfer In	1,364,770	256,757	247,187	-	3,389,603	5,258,317
Operating Transfer (Out)	(3,926,776)	-	(1,028,121)	-	(340,000)	(5,294,897)
Issuance of debt	-	-	-	-	62,195	62,195
Swap Proceeds	96,913	-	-	-	-	96,913
Total Other Financing Sources(Uses)	(2,465,093)	256,757	(780,934)	-	3,111,798	122,528
Net change in fund balances	1,801,932	-	-	-	313,177	2,115,109
Fund Balances - Beginning of Year (as restated, See Note 23)	15,812,838	-	-	-	5,903,597	21,716,435
Fund Balances - End of Year	\$ 17,614,770	\$ -	\$ -	\$ -	\$ 6,216,774	\$ 23,831,544

The accompanying notes are in integral part of the financial statements

COUNTY OF ADAMS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

Net change in fund balances - total governmental funds		\$ 2,115,109
<p>The change in net position reported for governmental activities in the statement of activities is different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$1,721,551) exceeded capital outlays (\$618,085).</p>		
		(1,103,466)
<p>Debt proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principle is an expenditure in the governmental funds but reduces the liability in the statement of net position.</p>		
Issuance of debt	(62,195)	
Principal repayments:		
General obligation debt	2,050,384	
Net Adjustment:	<u> </u>	1,988,189
<p>Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the net changes of four balances.</p>		
Compensated absences	(36,628)	
Liability for Other Postemployment Benefits	(46,056)	
Accrued interest on bonds	616	
Investment Loss from Derivative Instrument	(436,773)	
Amortization of Deferred Loss	(19,588)	
Amortization of bond premium	17,394	
Combined Adjustment:	<u> </u>	(521,035)
<p>Under the modified accrual basis of accounting used in governmental funds, revenues are not reported until they become available. In the statement of activities, however, revenues are recorded regardless of when financial resources are available. This is the change in unearned real estate tax revenue from 12/31/12 to 12/31/13.</p>		
		<u>68,291</u>
Change in net position of governmental activities		<u>\$ 2,547,088</u>

COUNTY OF ADAMS
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2013

	Business-Type Activities - Enterprise Funds		
	911	Adams County	Total
	Fund	IDA	
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 1,043,341	\$ 31,843	\$ 1,075,184
Accounts Receivable	117,817	10,891	128,708
Notes Receivable	-	2,833	2,833
Restricted Cash and Cash Equivalents	7,269,046	-	7,269,046
Restricted Investment	2,518,978	-	2,518,978
Due from Other Funds	33,487	-	33,487
Assets Held for Sale	-	1,399,838	1,399,838
Other Assets	13,300	942	14,242
Total current assets	10,995,969	1,446,347	12,442,316
Notes Receivable - Long Term	-	51,237	51,237
Capital Assets, Not Being Depreciated	10,359,588	-	10,359,588
Capital Assets, Being Depreciated, (Net)	5,022,612	-	5,022,612
Total noncurrent assets	15,382,200	51,237	15,433,437
Total assets	\$ 26,378,169	\$ 1,497,584	\$ 27,875,753
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Loss on Refunding	31,718	-	31,718
Total Deferred Outflows of Resources	31,718	-	31,718
LIABILITIES			
Current liabilities:			
Accounts Payable	\$ 323,946	\$ -	\$ 323,946
Accrued Liabilities	57,513	-	57,513
Accrued Interest Payable	101,181	-	101,181
Due to Other Funds	1,734	-	1,734
Due to Related Party	-	4,158	4,158
Current Portion of Long Term Debt	621,555	-	621,555
Total current liabilities	1,105,929	4,158	1,110,087
Noncurrent liabilities:			
Accrued Compensated Absences	55,440	-	55,440
Noncurrent Portion of Long Term Debt	22,061,698	1,337,422	23,399,120
Total noncurrent liabilities	22,117,138	1,337,422	23,454,560
Total liabilities	23,223,067	1,341,580	24,564,647
Net Position			
Net Investment in Capital Assets	2,486,971	62,416	2,549,387
Restricted for Capital Projects	-	-	-
Restricted for 911 Radio Project	1,503,331	-	1,503,331
Unrestricted	(803,482)	93,588	(709,894)
Total Net Position	\$ 3,186,820	\$ 156,004	\$ 3,342,824

The accompanying notes are an integral part of the financial statements

COUNTY OF ADAMS
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION -
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2013

	Business Type Activities - Enterprise Funds		
	911 Fund	Adams County IDA	Total
Operating Revenues			
Charges for Services	\$ 1,368,077	\$ 54,433	\$ 1,422,510
Total Operating Revenues	<u>1,368,077</u>	<u>54,433</u>	<u>1,422,510</u>
Operating Expenses			
Advertising	-	972	972
Insurance	-	1,387	1,387
Management Fees	-	29,216	29,216
Office Expense	-	235	235
Professional Fees	-	6,093	6,093
Rent	-	18,000	18,000
Personnel Services	1,311,885	-	1,311,885
Contracted Services	531,391	-	531,391
Supplies and Materials	13,427	-	13,427
Utilities	28,742	-	28,742
Other Services and Charges	169,496	-	169,496
Depreciation	353,583	-	353,583
Total Operating Expenses	<u>2,408,524</u>	<u>55,903</u>	<u>2,464,427</u>
Operating Loss	<u>(1,040,447)</u>	<u>(1,470)</u>	<u>(1,041,917)</u>
Nonoperating Revenues (Expenses)			
Interest Income	49,299	3,346	52,645
Property Taxes	1,744,739	-	1,744,739
Miscellaneous Income	-	18,735	18,735
Interest Expense	(795,995)	(18,735)	(814,730)
Total Nonoperating Revenues	998,043	3,346	1,001,389
Income Before Transfers	(42,404)	1,876	(40,528)
Transfers In	41,965	-	41,965
Transfers Out	(5,385)	-	(5,385)
Change in Net Position	(5,824)	1,876	(3,948)
Net Position - Beginning of Year (as restated, See Note 23)	<u>3,192,644</u>	<u>154,128</u>	<u>3,346,772</u>
Net Position - End of Year	<u>\$ 3,186,820</u>	<u>156,004</u>	<u>3,342,824</u>

COUNTY OF ADAMS
STATEMENT OF CASH FLOW
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	911 Fund	Adams County IDA	Total
Cash Flows From Operating Activities			
Receipts from Programs	\$ -	\$ 74,380	\$ 74,380
Receipts from Emergency Communications Services	1,305,387	-	1,305,387
Payments to Employees	(1,316,242)	-	(1,316,242)
Payments to Suppliers	(1,009,669)	-	(1,009,669)
Payments for Operating Expenses	-	(51,894)	(51,894)
Internal Activity - payments to other funds	(33,288)	-	(33,288)
Net Cash Provided By (Used in) Operating Activities	(1,053,812)	22,486	(1,031,326)
Cash Flows from Noncapital Financing Activities			
Operating Transfers In	41,965	-	41,965
Transfer Out	(5,385)	-	(5,385)
Miscellaneous Income	-	18,735	18,735
Net Cash Provided by Noncapital Financing Activities	36,580	18,735	55,315
Cash Flows from Capital and Related Financing Activities			
Property Tax Revenue	1,744,739	-	1,744,739
Payments on Note Receivable	-	2,668	2,668
Principal Payments on General Obligation Debt	(650,090)	-	(650,090)
Interest Payments	(796,443)	(18,735)	(815,178)
Amortization of Bond Premium	(24,781)	-	(24,781)
Assets Held for Sale	-	(62,415)	(62,415)
Purchases of capital assets	(7,710,746)	-	(7,710,746)
Net Cash Used In Capital and Related Financing Activities	(7,437,321)	(78,482)	(7,515,803)
Cash Flows from Investing Activities			
Purchase of investment	(18,978)	35,682	16,704
Interest	49,299	3,344	52,643
Net Cash Provided By Investing Activities	30,321	39,026	69,347
Net Increase/(Decrease) in Cash and Cash Equivalents	(8,424,232)	1,765	(8,422,467)
Cash and Cash Equivalents, Beginning of Year	16,736,619	30,078	16,766,697
Cash and Cash Equivalents, End of Year	\$ 8,312,387	31,843	\$ 8,344,230
Displayed as:			
Cash and cash equivalents	\$ 1,043,341	\$ 31,843	\$ 1,075,184
Restricted cash	7,269,046	-	7,269,046
	\$ 8,312,387	\$ 31,843	\$ 8,344,230
Reconciliation of operating loss to net cash provided by operating activities			
Operating Loss	\$ (1,040,447)	\$ (1,470)	(1,041,917)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities			
Depreciation	353,583	-	353,583
Change in assets and liabilities			
Account Receivable	(62,690)	19,353	(43,337)
Other Assets	(11,186)	445	(10,741)
Accounts Payable	(270,248)	-	(270,248)
Accrued Liabilities	14,821	-	14,821
Accrued Compensated Absences	(4,357)	-	(4,357)
Related Party	-	4,158	4,158
Due from Other Funds	(33,487)	-	(33,487)
Due to Other Funds	199	-	199
Net cash provided by (used in) operating activities	\$ (1,053,812)	\$ 22,486	\$ (1,031,326)
Noncash Transactions:			
Property Purchase with Debt	\$ -	\$ 1,337,422	\$ 1,337,422
Legal Expense with Property Purchase	-	708	708
Miscellaneous Income and Interest Expense Paid by Third Party	-	18,735	18,735

The accompanying notes are an integral part of the financial statements

COUNTY OF ADAMS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
DECEMBER 31, 2013

<u>Assets</u>	<u>Agency Funds</u>
Cash and Cash Equivalents	\$ 2,425,700
Total Assets	<u>\$ 2,425,700</u>
 <u>Liabilities</u>	
Liabilities	
Due to Other Governments	<u>2,425,700</u>
Total Liabilities	<u>\$ 2,425,700</u>

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

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

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

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

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

A) Reporting Entity

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

Blended Component Unit

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

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

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

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

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013

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

B) Related Organizations

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

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

C) Joint Ventures

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

Name of Organization	York/Adams Mental Health/Mental Retardation	York/Adams Drug and Alcohol Program
Services Provided	Mental Health/ Mental Retardation	Drug and Alcohol Program
Adams County Board Representation	3 of 6	3 of 6
Fiscal Year	12/31/13	12/31/13
Total Assets	\$ 6,514,412	\$ 661,900
Equity	-	-
Operating Revenue	\$26,280,554	\$2,917,729
Net Income (Loss)	-	-
Adams County Contribution to Operations	\$ 190,147	\$ 36,843

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

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013

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

D) Government-Wide and Fund Financial Statements

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

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

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

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

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

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

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013

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

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

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

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

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

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

The County reports the following major governmental funds:

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

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013

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

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

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

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

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

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

The County reports the following major proprietary fund:

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

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013

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

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

Additionally, the County reports the following fund type:

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

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

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

1. Cash and Cash Equivalents

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

2. Receivables and Payables

- Interfund Receivables and Payables

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

3. Investments

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

4. Restricted Assets

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

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013

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

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

5. Deferred Inflows/Outflows

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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

6. Capital Assets

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

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

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

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

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

8. Allowance for Doubtful Accounts

Accounts receivable have been reported net of allowance for doubtful accounts. The County recorded an allowance for uncollectible taxes of \$1,050,081 as of December 31, 2013.

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013

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

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

9. Compensated Absences

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

10. Long-Term Obligations

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

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

11. Unearned Revenues

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

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013

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

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

12. Interfund Transactions

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

13. Fund Balances

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

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

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

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013

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

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

14. Net Position

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

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

15. Accounting Estimates

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

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013

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

G) Budgets and Budgetary Accounting

Legal Requirements

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

County Budget Process

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

Level of Control

The County maintains budgeting control at the individual fund level.

Lapsing of Appropriations

Unexpended appropriations lapse at year-end.

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013

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

G) Budgets and Budgetary Accounting (Continued)

Management Authority

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

H) Adoption of Governmental Accounting Standards Board Statements

The County adopted the remaining provisions of GASB Statement No. 61 "*The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*". The adoption of this statement had resulted in a restatement of previously reported amounts (See Note 23).

The County adopted the requirements of GASB Statement No. 65, "*Items Previously Reported as Assets and Liabilities*". The adoption of this statement had resulted in a restatement of previously reported amounts (See Note 23).

The County adopted the requirements of GASB Statement No. 66, "*Technical Corrections – 2012- An Amendment of GASB Statements No. 10 and No.62*". The adoption of this statement had no effect on previously reported amounts.

I) Pending Changes in Accounting Principles

In March 2012, the GASB issued Statement No. 66, "*Technical Corrections – 2012- An Amendment of GASB Statements No. 10 and No.62*". The County is required to adopt statement No. 66 for its calendar year 2013 financial statements.

In June 2012, the GASB issued Statement No. 67, "*Financial Reporting for Pension Plans – an amendment to GASB Statement No. 25*". The County is required to adopt statement No. 67 for its calendar year 2014 financial statements.

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

In January 2013, the GASB issued Statement No. 69, "*Government Combinations and Disposals of Government Operations*". The County is required to adopt statement No. 69 for its calendar year 2014 financial statements.

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013

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

I) Pending Changes in Accounting Principles (Continued)

In April 2013, the GASB issued Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees". The County is required to adopt statement No. 70 for its calendar year 2014 financial statements.

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

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

NOTE 2: DEPOSIT AND INVESTMENT RISK

The County's investments at December 31, 2013 were as follows:

Governmental Funds

General Fund

CD's \$ 1,247,146

Conservation District

CD's 386,068

Mutual Funds 433,501

Fixed Income Mutual Funds -

Stocks 160,000

Total Governmental Funds 2,226,715

Government-Wide Funds

Investment Derivative 46,452

Total Government-Activities
Investments

2,273,167

Proprietary Fund

911 Fund

CD 2,518,978

Total Investments Primary
Government

\$ 4,792,145

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013

NOTE 2: DEPOSIT AND INVESTMENT RISK (continued)

As of December 31, 2013, the County had the following debt investments and maturities within its excess operating fund accounts:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More Than 10
Certificates of Deposit	\$ 4,162,190	\$ 3,217,122	\$ 740,068	\$ 205,000	\$ -
Fixed Income Mutual Funds	151,146	-	140,529	10,617	-
Mutal Funds	272,357	N/A	N/A	N/A	N/A
Common Stock	160,000	-	160,000	-	-
Investment Derivative	46,452	-	-	-	46,452
Total	\$ 4,792,145	\$ 3,217,122	\$ 1,040,597	\$ 215,617	\$ 46,452

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

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

Credit Risk: The County's investment policy limits investments to direct obligations of the United States Government or its agencies; local agency demand deposits, certificates of deposit; Ginnie Mae, Fannie Mae, Freddie Mac, and obligations secured by these agencies; mutual funds; corporate bonds rated A or higher by Standard & Poors or Moody's; commercial paper which is eligible for purchase by the discount window of the Federal Reserve Bank and has a rating of A-1 by Moody's or P-1 by Standard & Poors; bankers acceptances which are eligible for purchase by the discount window of the Federal Reserve Bank; repurchase agreements having a maturity of less than 30 days; and passbook savings account demand deposits and money market accounts. \$43,182 (29%), \$10,618 (7%), and \$97,347 (54%) of the County investments in fixed income mutual funds as of December 31, 2013 were rated AA, A, and BBB, respectively.

Custodial Credit Risk: For deposits and investments, custodial credit risk is the risk that in the event of the failure of the counterparty, the County, will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At December 31, 2013, \$33,981,243 of the County's bank deposits of \$35,089,119 were exposed to custodial credit risk, as they are collateralized with securities held by the pledging financial institution and uninsured. At December 31, 2013, \$2,518,978 of the County's investments in a certificate of deposit was exposed to custodial credit risk, as they are collateralized with securities held by the pledging financial institution and uninsured. The County does not have a written policy to limit its exposure to custodial credit risk.

Concentration of Credit Risk: The County has no formal policy for investments pertaining to concentration of credit risk. At December 31, 2013, the County was not exposed to concentration of credit risk.

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013

NOTE 3: RESTRICTED ASSETS

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

General Fund	
Amount established to provide a source of funds for noncash workers' compensation claims.	\$ 42,282
Cash Restricted for Escrow Accounts	1,188,477
Cash Restricted for Debt Service	1,088,500
Cash Restricted for Program Purposes	476
Other Governmental Funds	
Conservation District	
Cash Restricted for Payment of Debt Service.	33,679
Cash Restricted for Stream & Watershed Preservation	49,424
Investments Restricted for Stream & Watershed Preservation	433,501
Investments Restricted for Debt Service	160,000
Capital Project GO Note 2009 Fund	
Cash Restricted for Construction	<u>1,769,895</u>
Subtotal Governmental Funds	<u>4,766,234</u>
911 Fund	
Cash for Construction	7,269,046
Investments for Construction	<u>2,518,978</u>
Subtotal Proprietary Funds	<u>9,788,024</u>
Total Restricted Assets	<u>\$14,554,258</u>

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013

NOTE 4: REAL ESTATE TAXES

Real estate taxes attach as an enforceable lien on property on January 1. Taxes are billed on or about March 1, payable under the following terms: 2% discount, March 1 through April 30; face amount, May 1 through June 30, and 10% penalty after June 30. The County bills these taxes which are collected by elected local tax collectors. The County collects delinquent real estate taxes on behalf of itself and other taxing authorities. Real estate taxes levied for 2013 are recorded as receivables, net of estimated uncollectibles. The net receivables collected during 2013 and expected to be collected within the first sixty (60) days of 2014 are recognized as revenue in 2013. Net receivables estimated to be collectible subsequent to March 31 are reflected in deferred revenue. Prior years' levies are recorded using these same principles, and remaining receivables are annually reevaluated as to collectibility.

The rate of taxation in 2013 was 3.4371 mills for general purposes, .1147 mills for library purposes, and .181 mills for 911 purposes.

NOTE 5: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>GOVERNMENTAL ACTIVITIES:</u>				
Capital Assets, Not Being Depreciated:				
Land	\$ 896,241	\$ -	\$ -	\$ 896,241
Agricultural Easements	9,353,933	-	-	9,353,933
Total Capital Assets, Not Being Depreciated	<u>10,250,174</u>	-	-	<u>10,250,174</u>
Capital Assets, Being Depreciated:				
Infrastructure	7,486,218	-	-	7,486,218
Buildings and Improvements	48,235,962	22,821	-	48,258,783
Equipment and Vehicles	7,255,625	595,264	-	7,850,889
Total Capital Assets Being Depreciated	<u>62,977,805</u>	<u>618,085</u>	-	<u>63,595,890</u>
Less Accumulated Depreciation For:				
Infrastructure	(3,323,530)	-	(148,528)	(3,472,058)
Buildings and Improvements	(13,427,807)	-	(1,204,892)	(14,632,699)
Equipment and Vehicles	(6,160,791)	-	(368,131)	(6,528,922)
Total Accumulated Depreciation	<u>(22,912,128)</u>	-	<u>(1,721,551)</u>	<u>(24,633,679)</u>
Total Capital Assets, Being Depreciated, Net	<u>40,065,677</u>	<u>618,085</u>	<u>(1,721,551)</u>	<u>38,962,211</u>
Governmental Activities Capital Assets, Net	<u>\$50,315,851</u>	<u>\$618,085</u>	<u>\$(1,721,551)</u>	<u>\$49,212,385</u>

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013

NOTE 5: CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>BUSINESS-TYPE ACTIVITIES:</u>				
Capital Assets, Not Being Depreciated:				
Land	\$ 51,041	\$ -	\$ -	\$ 51,041
Construction in Progress	2,597,801	7,710,746	-	10,308,547
Total Capital Assets, Not Being Depreciated	<u>2,648,842</u>	<u>7,710,746</u>	<u>-</u>	<u>10,359,588</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	5,812,788	-	-	5,812,788
Equipment and Vehicles	2,081,968	-	-	2,081,968
Total Capital Assets Being Depreciated	<u>7,894,756</u>	<u>-</u>	<u>-</u>	<u>7,894,756</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	(1,303,697)	-	(145,320)	(1,449,017)
Equipment and Vehicles	(1,214,864)	-	(208,263)	(1,423,127)
Total Accumulated Depreciation	<u>(2,518,561)</u>	<u>-</u>	<u>(353,583)</u>	<u>(2,872,144)</u>
Total Capital Assets, Being Depreciated, Net	<u>5,376,195</u>	<u>-</u>	<u>(353,583)</u>	<u>5,022,612</u>
Business-Type Activities Capital Assets, Net	<u>\$8,025,037</u>	<u>7,710,746</u>	<u>(353,583)</u>	<u>\$15,382,200</u>

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

GOVERNMENTAL ACTIVITIES:

General Government-Admin.	\$ 381,636
General Government-Judicial	76,710
Public Safety	1,017,049
Public Works	148,528
Human Services	1,578
Conservation and Development	<u>96,050</u>
Total Depreciation Expense – Governmental Activities	<u>\$1,721,551</u>

BUSINESS-TYPE ACTIVITIES:

Emergency 911 System	<u>\$ 353,583</u>
Total Depreciation Expense – Business-Type Activities	<u>\$ 353,583</u>

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013

NOTE 6: PENSION PLAN

Plan Description

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

Funding Policy

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

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

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

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

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013

NOTE 6: PENSION PLAN (CONTINUED)

Annual Pension Cost

For 2013, the County's annual pension cost of \$1,430,218 was equal to the County's required and actual contributions. The required contribution was determined as part of the January 1, 2012, actuarial valuation using the entry age normal cost method. The significant actuarial assumptions include (a) a 6.0% investment rate of return, (b) projected salary increases of 4.80% (c) PMRS assets were valued at fair value. The UAAL is being amortized using the level dollar method on a closed basis. The remaining amortization period at December 31, 2013 is 4.41 years.

Trend Information for the County			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/11	\$1,464,724	100%	\$ -
12/31/12	\$1,420,290	100%	\$ -
12/31/13	\$1,430,218	100%	\$ -

NOTE 7: LEASES

The County leases office space and land for 911 towers under several operating lease agreements which have expiration dates ranging from 2013 to 2033. Some of the agreements contain renewal provisions at the County's option. The County also has a lease with a related party as described in Note 18. The following is a schedule of the future minimum rental payments to be made under the various leases as of December 31, 2013:

<u>Years</u>	<u>Courts</u>	<u>Agencies</u>	<u>Total</u>
2014	\$ 34,000	\$369,134	\$ 403,134
2015	34,000	353,391	387,391
2016	34,000	356,026	390,026
2017	34,000	169,992	203,992
2018	34,000	172,788	206,788
2019-2023	34,000	908,911	942,911
2024-2028	-	973,304	973,304
2029-2033	-	692,961	692,961
	\$204,000	\$3,996,507	\$4,200,507

Rent expense for 2013 was \$550,296.

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013

NOTE 8: RISK MANAGEMENT

For periods prior to January 1, 1999, the County is exposed to the risk of loss related to self-insurance activities for workers' compensation and maintains workers' compensation reserves for claims incurred and claims incurred but not reported in the General Fund for the open claims. Effective January 1, 1999, the County participates in the Pennsylvania Counties Workers Compensation Trust (the "Trust") insurance pool for workers' compensation insurance. Insurance premiums are developed based on employee job descriptions, rate factors, and payroll costs for the year. For the year ended December 31, 2013, the County was required to pay an insurance premium of \$811,047 to the Trust. The Trust has an audit performed each year and the County may be required to pay an additional premium or entitled to a refund as a result of the audit. For the 2013 Trust audit, the County received a refund of \$1,595.

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

The following summary provides aggregate information on workers' compensation self-insurance liability; incurred claims and payments during the years ended December 31, 2012 and 2013, and the reported workers' compensation self-insurance liability at December 31, 2012 and 2013.

December 31, 2011 <u>Liability</u>	Current Year Claims and Changes in Estimates	<u>Claim Payments</u>	December 31, 2012 <u>Liability</u>
\$16,886	-	(\$1,437)	\$15,449
December 31, 2012 <u>Liability</u>	Current Year Claims and Changes in Estimates	<u>Claim Payments</u>	December 31, 2013 <u>Liability</u>
\$15,449	-	(\$634)	\$14,815

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013

NOTE 9: LONG-TERM DEBT

A summary of changes in long-term debt follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<u>Governmental Activities:</u>					
Bonds and Loans					
Payable:					
General obligation debt	\$43,781,656	62,195	1,859,910	\$41,983,941	1,903,781
Guaranteed revenue bonds	923,690	-	159,156	764,534	45,768
Loan payable	161,593	-	31,318	130,275	97,762
Plus: Bond Premium	417,432	-	17,393	400,039	17,393
Total Bonds and Loans Payable:	45,284,371	62,195	2,067,777	43,278,789	2,064,704
Other Long Term Liabilities:					
Compensated absences	960,719	36,628	-	997,347	-
Total Other Long Term Liabilities	960,719	36,628	-	997,347	-
<u>Governmental Activities:</u>					
Long-Term Liabilities	\$46,245,090	98,823	2,067,777	\$44,276,136	2,064,704
<u>Business-Type Activities:</u>					
Bonds Payable:					
General Obligation debt	\$22,763,344	\$ 1,337,422	\$650,090	\$23,450,676	\$723,060
Plus: Bond Premium	594,781	-	24,782	569,999	24,782
Total Bonds Payable	23,358,125	1,337,422	674,872	24,020,675	747,842
Other Liabilities:					
Compensated absences	59,797	-	4,357	55,440	-
Total Other Liabilities	59,797	-	4,357	55,440	-
<u>Business-Type Activities</u>					
Long-Term Liabilities	\$23,417,922	\$ 1,337,422	\$679,229	\$24,076,115	\$747,842

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

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013

NOTE 9: LONG-TERM DEBT (Continued)

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

General Obligation Bonds and Guaranteed Revenue Bonds-Governmental Activities:

<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Purpose</u>	<u>Balance Outstanding at December 31, 2013</u>
1999	\$3,600,000	Revenue bonds for construction of the agricultural center (final maturity 2024). The bonds bear a fixed interest rate of 5%.	\$ 764,534
2006	\$600,000	Loan payable with the Pennsylvania Infrastructure Bank for a bridge project (final maturity in 2016). The loan bears a fixed interest rate of 4.04%.	\$ 130,275
2011	\$30,660,000	General Obligation Notes, Series of 2011 issued for the purpose of refunding the 2002 Bonds. (\$29,658,898 – Governmental activities, \$1,001,102 – Business type). The notes bear a variable interest rate of 70% of 1 month LIBOR plus 70 basis points, not to exceed 12% (final maturity occurs in 2031).	\$27,670,891
2012	\$37,135,000	General Obligation Bonds, Series of 2012 issued for the purpose of refunding the 2003 Bonds, 2007 Notes, 2009 Notes, and to fund an emergency management project. (\$15,314,310 – Governmental activities, \$21,820,690 – Business type). The notes bear an interest rate between .30% and 4.0% (final maturity occurs in 2037).	\$14,250,855
2013	\$10,000,000	General Obligation Notes, Series of 2013 issued for the purpose of advancing funds to the Adams County IDA and capital improvements. The notes bear an interest rates between 1.75% and 2.25% (final maturity occurs in 2023).	\$62,195
			\$42,878,750

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013

NOTE 9: LONG-TERM DEBT (Continued)

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

In March 2012, the County issued General Obligation Bonds, Series of 2012, in the amount of \$37,135,000. The principal of these bonds is payable in installments from \$240,000 in 2012 to \$1,810,000 in 2027. The bonds bear interest rates ranging between .30% and 4.0%. The proceeds of the bonds were used to currently refund the 2003 general obligation bonds, the 2007 general obligation notes, the 2009 general obligation notes, fund an emergency management project and pay issuance costs of \$513,425 (\$211,734 for governmental activities and \$301,691 for business-type activities). The general obligation bonds had a bond premium of \$1,054,390 (\$434,826 for governmental activities and \$619,564 for business-type activities). The bonds refunded \$15,483,735 of Governmental Activities and \$2,077,764 of Business-Type Activities General Obligation Debt, respectively. The County recorded a deferred loss on the refunding of \$224,212 in the Statement of Net Position (\$188,266 for the governmental activities and \$35,946 for the business-type activities). The bonds decreased debt service payments for the County by \$1,930,451 and resulted in an economic gain of \$1,348,240. The principal balance outstanding on the bonds at December 31, 2013 was \$36,895,000 (\$14,250,855 for governmental activities and \$21,179,145 for business-type activities).

In November 2013, the County issued General Obligation Notes, Series A and B of 2013, in the principal amounts of \$1,088,000 and \$8,912,000, respectively. The Series A Note bears an interest rate equal to 2.25% above the two year Amortizing Advance Rate for Fixed Advances. The Series B Note bears an interest rate equal to 1.75% above 66% of the seven year Amortizing Advance Rate for Fixed Rate Advances. The proceeds of the Series A Note are to be used to provide funds to the Adams County Industrial Development Authority for the development of economic projects located within the County. The proceeds of the Series B Note are to be used for the purchase and acquisition of real property located within the County, motor vehicles for County services, the planning and design of capital additions and improvements, and initial training in the use of the Emergency Services Project. The County is able to draw funds as needed and as of December 31, 2013 the amount drawn down was \$62,195. The principal balance of the A and B Notes at December 31, 2013 were \$0 and \$62,195, respectively.

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

Years Ended December	<u>Principal Requirements</u>	<u>Interest Requirements</u>	<u>Total Debt Service Requirements</u>
31:			
2014	\$ 2,047,311	\$ 750,137	\$ 2,797,448
2015	2,033,168	714,876	2,748,044
2016	2,074,614	680,251	2,754,865
2017	2,148,592	641,384	2,789,976
2018	2,226,025	605,861	2,831,886
2019-2023	12,582,604	2,263,904	14,846,508
2024-2028	13,043,208	918,206	13,961,414
2029-2033	6,723,228	78,478	6,801,706
	<u>\$42,878,750</u>	<u>\$6,653,097</u>	<u>\$49,531,847</u>

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013

NOTE 9: LONG-TERM DEBT (Continued)

General Obligation Bonds-Business-Type Activities:

<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Purpose</u>	<u>Balance Outstanding at December 31, 2013</u>
2011	\$30,660,000	General Obligation Notes, Series of 2011 issued for the purpose of refunding the 2002 Bonds. (\$29,658,898 – Governmental activities, \$1,001,102 – Business type). The notes bear a variable interest rate of 70% of 1 month LIBOR plus 70 basis points, not to exceed 12% (final maturity occurs in 2031).	\$934,109
2012	\$37,135,000	General Obligation Bonds, Series of 2012 issued for the purpose of refunding the 2003 Bonds, 2007 Notes, 2009 Notes, and to fund an emergency management project. (\$15,314,310 – Governmental activities, \$21,820,690 – Business type). The notes bear an interest rate between .30% and 4.0% (final maturity occurs in 2037).	\$21,179,145
2013	\$1,750,000	General Obligation Note, Series of 2013 is used for the purpose of property and demolition of existing buildings. For the first 18 month the note bears an interest rate of 4.1% with interest only payments. Beginning June 1, 2018 the interest rate is adjusted to the prime rate. The maturity of the note is 2028.	<u>\$1,337,422</u>
			<u>\$ 23,450,676</u>

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

	<u>Principal Requirements</u>	<u>Interest Requirements</u>	<u>Total Debt Service Requirements</u>
Years Ended December 31:			
2014	\$ 723,060	\$ 866,968	\$ 1,590,028
2015	738,677	852,958	1,591,635
2016	760,633	833,725	1,594,358
2017	778,767	812,226	1,590,993
2018	806,654	790,753	1,597,407
2019-2023	4,528,427	3,471,506	7,999,933
2024-2028	5,297,686	2,491,903	7,789,589
2029-2033	5,126,408	1,472,765	6,599,173
2034-2038	4,690,364	395,866	5,086,230
	<u>\$ 23,450,676</u>	<u>\$ 11,988,670</u>	<u>\$ 35,439,346</u>

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013

NOTE 9: LONG-TERM DEBT (Continued)

In 2002, the County defeased the 2001 general obligation bonds by placing the proceeds of the 2002 general obligation bonds in an irrevocable trust to provide for all future debt service payments on the 2001 bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the accompanying financial statements. At December 31, 2013, the principal amount outstanding relative to the defeased debt was \$27,085,000.

Hedging Derivative Instrument Payments and Hedged Debt. As of December 31, 2013, aggregate debt service requirements of the County's General Obligation Notes, Series of 2011 and net receipts/payments on 2008 Fixed Pay Swap are as follows:

(The amounts in the table below assume that the current interest rates on the General Obligation Notes, Series of 2011 and the current reference rates of hedging derivative instruments will remain the same for their term. As these rates vary, interest payments on variable-rate bonds and net receipts/payments on the hedging derivative instruments will vary.)

	<u>Principal Requirements</u>	<u>Interest Requirements</u>	<u>Hedging Derivatives Net</u>	<u>Total</u>
Years Ended December 31:				
2014	\$ 1,080,000	\$ 240,206	\$ 1,213,340	\$ 2,533,546
2015	1,120,000	231,081	1,167,243	2,518,324
2016	1,165,000	222,225	1,119,376	2,506,601
2017	1,210,000	211,771	1,069,740	2,491,511
2018	1,260,000	201,544	1,018,029	2,479,573
2019-2023	7,195,000	838,663	4,233,603	12,267,266
2024-2028	9,050,000	504,754	2,546,443	12,101,197
2029-2032	6,525,000	107,094	540,647	7,172,741
	<u>\$ 28,605,000</u>	<u>\$ 2,557,338</u>	<u>\$ 12,908,421</u>	<u>\$ 44,070,759</u>

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013

NOTE 10: INTEREST RATE SWAPS

Derivative Instruments

The fair value balances and notional amounts of derivative instruments outstanding at December 31, 2013, classified by type, and the changes in fair values of such derivative instruments for the year then ended as reported in the 2013 financial statements are as follows:

	Current Notional Amount	Fair Value at December 31, 2013		Changes in Fair Value	
		Classification	Amount	Classification	Amount
Governmental Activities					
Cash Flow Hedges:					
2008 Fixed Pay Swap	\$28,605,000	Debt	\$ (5,011,114)	Deferred Inflow	\$3,287,819
Investment Derivative:					
2005 Basis Swap	\$28,605,000	Investment	\$ 46,452	Unrestricted Investment Income	\$475,417

Fair Values

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

Objective and terms of derivative instruments

2005 Basis Swap- In March 2005, the County entered into a Basis Swap agreement with Wachovia Bank as the Counterparty in relation to the County's General Obligation Bonds, Series of 2002 in the then outstanding notional amount of \$34,825,000. The 2005 Basis Swap consists of an interest rate swap agreement whereby the County receives from the Counterparty an interest rate equal to 65% of 1 month LIBOR plus 30 basis points (.30%) and is obligated to pay the Counterparty an interest rate equal to the short term tax exempt rate Bond Market Association index (BMA). In consideration for this monthly exchange formula, the County received an up-front payment in the amount of \$1,190,000. This amount is considered as borrowing and it is reported at the historical cost of \$1,190,000. As payments are made on the swap, principal and interest payments on the borrowing are imputed. Interest income is accrued at the at the market rate used to arrive at the initial balance of the borrowing (2.47783%). The swap is now associated with the General Obligation Notes, Series of 2011. At December 31, 2013, the swap consisted of an investment derivative with a value of \$46,452 and a borrowing of (\$882,194) for a net fair value of (\$835,742).

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013

NOTE 10: INTEREST RATE SWAPS (CONTINUED)

2008 Fixed Pay Swap- In June 2008, the County entered into a Forward Starting Interest Rate Swap with Wachovia Bank as the Counterparty with respect to the County's then outstanding Series of 2002 Bonds or any bond or notes issued to refund the bonds in the principle amount of \$31,615,000. The objective was to hedge the changes in cash flows on the 2002 General Obligation Bonds or any bonds or notes issued to refund the bonds. By entering into this contract the County received an upfront payment of \$1,014,000 net of transaction fees. In exchange, the Counterparty will have the option to direct the County to enter into a variable to fixed rate swap whereby the County will pay 4.6525% to the Counterparty and will receive from the Counterparty 78% of one-month LIBOR plus 28 basis points. This option was exercised by Wells Fargo in August of 2011, and the swaption is now associated with General Obligation Notes, Series of 2011. The upfront cash of \$1,014,000 represents the value of the option and was amortized over the life of the swaption. At December 31, 2013, the unamortized balance is \$0.

Derivative Instrument Risks

Credit Risk. As of December 31, 2013, the County was not exposed to credit risk because the swaps had negative fair values. However, should interest rates change and the fair value of the swaps become positive, the County would be exposed to credit risk in the amount of the derivatives fair value. As of December 31, 2013, the Counterparty was rated Aa3 by Moody's, AA- by Standard and Poors and AA- by Investors Services.

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

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

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

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

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013

NOTE 10: INTEREST RATE SWAPS (CONTINUED)

Rollover Risk. The County is exposed to rollover risk on hedging derivative instruments that are hedges of debt that mature or may be terminated prior to the maturity of the hedged debt. When these hedging derivative instruments terminate, or in the case of a termination option, the county will be re-exposed to the risks being hedged by the hedging derivative instrument. The worst case is that County would default on its obligation, thereby creating a situation where all or a part of the County's debt might be accelerated.

To date, tax-backed bonds, issued by counties in Pennsylvania have been able to access the market at anytime and the cost of a standby liquidity facility to support the remarketing of the underlying variable rate bonds has been reasonable, and within the budget established for the fixed pay swap.

NOTE 11: GUARANTEED DEBT

The County has guaranteed the repayment of the Adams County Conservation District Guaranteed Revenue Bond, Series of 1999 in the amount of \$3,600,000 with payments due monthly beginning on July 1, 2000 through July 1, 2024 at an interest rate of 5.05% per annum. The balance of the bonds at December 31, 2013 was \$764,534. The County has not been required to make payments on these bonds.

NOTE 12: INTERFUND OPERATING TRANSFERS

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

	Transfers In	Transfers Out
General Fund	\$ 1,364,770	\$3,926,776
Children and Youth	256,757	-
Domestic Relations Fund	247,187	1,028,121
Other Governmental Funds	3,389,603	340,000
	<hr/>	<hr/>
Total Governmental Fund Types	5,258,317	5,294,897
	<hr/>	<hr/>
Enterprise Fund:		
911 Emergency Telephone	41,965	5,385
	<hr/>	<hr/>
Total Enterprise Fund	41,965	5,385
	<hr/>	<hr/>
	\$5,300,282	\$5,300,282
	<hr/>	<hr/>

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

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013

NOTE 13: INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables balances of each individual fund as of December 31, 2013, are as follows:

<u>Governmental Fund Types</u>	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$554,980	\$ 537,094
Children and Youth Fund	187,478	2,561
Domestic Relations Fund	-	294,713
Other Governmental Funds	316,128	255,971
Total Government Fund Types	<u>1,058,586</u>	<u>1,090,339</u>
 <u>Proprietary Fund Type</u>		
Enterprise Fund		
911 Emergency Telephone	33,487	1,734
Total Proprietary Fund Type	<u>33,487</u>	<u>1,734</u>
Total	<u>\$1,092,073</u>	<u>\$1,092,073</u>

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

NOTE 14: COMMITMENTS AND CONTINGENCIES

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

NOTE 15: COMPENSATED ABSENCES

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

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

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013

NOTE 16: RESTRICTED FUND BALANCES/NET POSITION

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

Governmental Funds

General Fund

<u>Nonspendable</u>	<u>\$ 598,255</u>
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This line item represents amounts for prepaid expenses and receivables.

Nonmajor Funds

Capital Projects Fund

<u>Restricted</u>	<u>\$ 1,766,889</u>
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This line item represents amounts restricted for capital projects.

Nonspendable

<u>Act 137 Fund</u>	<u>\$ 75,080</u>
---------------------	------------------

This line item represents amounts for notes receivable.

Restricted

<u>Liquid Fuels Tax</u>	<u>\$ 232,947</u>
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This line item represents amounts that are restricted by grantors for the future payments of expenditures for the building and improvement of roads and bridges.

<u>Act 13 Fund</u>	<u>\$ 284,702</u>
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This line item represents amounts that are restricted for the expenditures of Act 13 funding.

COUNTY OF ADAMS
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2013

NOTE 16: RESTRICTED FUND BALANCES/NET POSITION (CONTINUED)

Nonmajor Governmental Funds (Continued)

Restricted (Continued)

<u>Prison Commissary</u>	<u>\$ 124,721</u>
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This line item represents amounts that are restricted from the sale of commissary items to the inmates as well as other commissions earned.

<u>Records Improvement</u>	<u>\$ 408,443</u>
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This line item represents amounts that are restricted for improvements in the Recorder of Deeds' Office

<u>Home Fund</u>	<u>\$ 1,756</u>
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This line item represents amounts that are restricted by grantors for future expenditures community rehab projects.

<u>Act 137</u>	<u>\$ 575,457</u>
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This line item represents amounts collected from the recording of fees for mortgages and deeds to enhance local affordable housing efforts.

<u>Hotel Tax</u>	<u>\$ 1,041,160</u>
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This line item represents amounts that are restricted for the levying and setting of Hotel room rental tax required for the specific purpose of the County government.

<u>Court Reserved Fund</u>	<u>\$ 141,895</u>
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This line item represents amounts that are restricted to track court related revenues such as Offender Supervision fees, treatment fees, and Youth offender education fees.

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013

NOTE 16: RESTRICTED FUND BALANCES/NET POSITION (CONTINUED)

Nonmajor Governmental Funds (Continued)Restricted (Continued)

<u>Conservation District</u>	<u>\$ 1,482,222</u>
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This line item represents amounts that are restricted for the preservation of Adams County's natural resources, land preservation, and debt service.

<u>Coroner's VISA</u>	<u>\$ 14,509</u>
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This line item represents amounts that are restricted by grantors for purchases of equipment, training, and office and laboratory facility improvement.

<u>Law Enforcement</u>	<u>\$ 5,648</u>
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This line item represents amounts that are restricted by grantors for purchase of law enforcement equipment.

<u>Juvenile Restitution</u>	<u>\$ 61,345</u>
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This line item represents amounts that are restricted for restitution expenditures.

Proprietary Funds/Business-Type Activities911 Fund

<u>Restricted</u>	<u>\$ 1,503,331</u>
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This line item represents amounts restricted for the 911 radio project.

NOTE 17: FUND DEFICIT

For the year ended December 31, 2013, the following fund had a deficit unrestricted net position balance:

Proprietary Fund:

911 Fund	<u>\$(803,482)</u>
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The above deficit resulted from expenditures exceeding operating revenues for the 911 operations. The deficit will be covered by funding from the General Fund.

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013

NOTE 18: NOTES RECEIVABLE

Notes receivable represent amounts loaned to qualified County residents for Affordable Housing that are to be repaid to the County. The notes receivable balances consist of the following at December 31, 2013:

<u>Program</u>	<u>Balance Outstanding December 31, 2013</u>
Original note amount of \$25,000 issued August 15, 2000 for home repairs with an interest rate of 1% per annum due in monthly installments of principle and interest of \$94 commencing on October 1, 2000 through and including September 1, 2025.	\$ 22,331
Original note amount of \$90,000 issued in 2005 for home repairs with an interest rate of 1% per annum due in monthly installments of principal and interest of \$414 commencing in February, 2005 through and including January, 2025.	\$ 52,749
Original note amounts ranging from \$4,625 to \$25,000 issued from November 2003 through August 2020 for home repairs and improvements. The loans are forgiven at the rate of 10% each year for ten years. If the property is sold, transferred or vacated before the end 10 years, the unforgiven portion of the loan must be repaid.	\$ 140,462
Original mortgage note amount of \$260,000 issued in 2006 at an interest rate of 3% per annum due in monthly installments of principal and interest of \$1,232.96 commencing in July, 2006 through and including June, 2031.	<u>\$150,267</u>
Total Notes Receivable	<u>\$365,809</u>

NOTE 19: LOANS RECEIVABLE

During 2013 the County loaned or paid funds to/on behalf of the Adams County Industrial Development Authority and the Adams County Economic Development Authority. The funds loaned are secured by RACP grants that will be passed through to the County when the Authorities receive them. The balance outstanding as of December 31, 2013 was \$488,127.

NOTE 20: RELATED PARTY TRANSACTIONS

On June 28, 2000, the County entered into a lease agreement with the Conservation District, where the District leases to the County 20,248 square feet in the Adams County Agricultural and Natural Resource Center for 25 years commencing on July 1, 2000. The rent is payable on or before the 25th of the previous month with the initial rent being fixed for the first year. After the first year and each successive year, the rent may be increased or decreased based on the changes in costs associated with the operation and maintenance of the Center or changes in debt service requirements. Rent expense for 2013 was \$256,544.

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013

NOTE 21: POST-EMPLOYMENT BENEFIT PLAN

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

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

Funding Policy. Retired members must pay the premiums for coverage elected under the plan. Failure to pay the required premium will result in cancellation of the insurance. The County may charge an administrative fee in addition to the retired member's monthly premium. The County funds the Plan on a pay-as-you-go basis. For 2013, the County's contribution to the plan for current estimated premiums was \$57,304 using the implicit rate subsidy.

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

	<u>Governmental Activities</u>
Annual required contribution	\$ 105,979
Interest on Net OPEB obligation	5,235
ARC Adjustment	<u>(7,854)</u>
OPEB Cost	103,360
Estimated contributions made	<u>(57,304)</u>
Increase in net OPEB obligation	46,056
Net OPEB obligation – beginning of year	<u>135,569</u>
Net OPEB obligation – end of year	<u>\$ 181,625</u>

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013

NOTE 21: POST-EMPLOYMENT BENEFIT PLAN (CONTINUED)

The County's annual OPEB cost, the percentage of annual OPEB cost contribution to the plan, and the net OPEB obligation for 2011, 2012, and 2013 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2011	\$ 103,526	69.29%	\$ 89,487
12/31/2012	\$ 99,477	53.68%	\$ 135,569
12/31/2013	\$ 103,360	55.44%	\$ 181,625

Funded Status and Funding Progress. As of January 1, 2013 the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$1,070,589 and there were no assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,070,589. The covered payroll (annual payroll of active employees covered by the plan) was \$16,875,270, and the ratio of the UAAL to the covered payroll was 6.3%.

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

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

In the January 1, 2013 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.0% investment rate of return, which is the expected long-term investment yield on the investments that are expected to be used to finance the payments of benefits, a health care cost trend rate of 9% initially, reduced by decrements to an ultimate rate of 6% after 4 years. Active plan members' salaries are assumed to increase by 4.0% per year. The UAAL is being amortized using the level dollar method on a closed basis. The remaining amortization period at December 31, 2013 was 28 years.

COUNTY OF ADAMS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013

NOTE 22: RESTATEMENT OF FUND BALANCES/NET POSITION

Beginning fund balances/net position amounts were restated due to the County adopting the provisions of GASB Statement No. 65 and GASB Statement No. 61. With the adoption of GASB Statement No. 61, the County determined the Adams County Housing Authority no longer met the criteria to be included in the financial reporting entity and the Adams County Industrial Development Authority met the criteria to be included as a blended component unit (See Note 1(A)). The table below presents in detail the following restatements of fund balances/net position:

	Governmental Activities	General Fund	911 Fund	Other Non-Major Funds	Discretely Presented Component Unit	Business Type Activities
Fund Balance/Net Position, beginning of year, as previously stated	\$ 26,840,094	\$ 15,812,409	\$ 3,482,268	\$ 3,705,586	\$ 999,330	\$ 3,482,268
Overstatement of Deferred Charges, due to the adoption of GASB 65	(340,760)	-	(289,624)	-	-	(289,624)
Reclassification of special revenue fund to general fund	-	429	-	(429)	-	-
Reclassification of a major fund to a non major fund.	-	-	-	2,198,440	-	-
Change in accounting principle, due to adoption of GASB 61	-	-	-	-	(999,330)	154,128
Net Position beginning of year, as restated	<u>\$ 26,499,334</u>	<u>\$ 15,812,838</u>	<u>\$ 3,192,644</u>	<u>\$ 5,903,597</u>	<u>\$ -</u>	<u>\$ 3,346,772</u>

**REQUIRED
SUPPLEMENTAL
INFORMATION**

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2010	\$ -	\$ 1,304,559	\$ 1,304,559	0%	\$ 17,112,340	7.6%
1/1/2011	\$ -	\$ 1,031,919	\$ 1,031,919	0%	\$ 20,415,285	5.1%
1/1/2012	\$ -	\$ 946,380	\$ 946,380	0%	\$ 16,289,890	5.8%
1/1/2013	\$ -	\$ 1,070,589	\$ 1,070,589	0%	\$ 16,875,270	6.3%

COUNTY OF ADAMS
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2013

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues				
Taxes	\$ 32,397,917	\$ 32,397,917	\$ 32,119,473	\$ (278,444)
Intergovernmental Revenues	1,929,600	1,929,600	2,188,697	259,097
Charges for Services	4,825,498	4,825,498	4,706,262	(119,236)
Interest and Rents	35,314	35,314	55,935	20,621
License and Permits	96,976	96,976	119,813	22,837
Court Costs and Fines	-	-	605,499	605,499
Other	1,815,586	1,815,586	763,434	(1,052,152)
Total Revenues	41,100,891	41,100,891	40,559,113	(541,778)
Expenditures				
Current:				
General Government - Administrative	13,468,264	13,468,264	10,849,074	2,619,190
General Government - Judicial	4,113,596	4,113,596	5,856,814	(1,743,218)
Public Safety	12,669,374	12,669,374	14,939,605	(2,270,231)
Public Works	-	-	-	-
Human Services	96,859	96,859	1,924,394	(1,827,535)
Culture and Recreation	4,183,266	4,183,266	581,390	3,601,876
Conservation and Development	1,076,165	1,076,165	878,956	197,209
Debt Service				
Principal	2,375,454	2,375,454	-	2,375,454
Interest	923,787	923,787	1,261,855	(338,068)
Capital Outlay	-	-	-	-
Total Expenditures	38,906,765	38,906,765	36,292,088	2,614,677
Excess of Revenues Over (Under) Expenditures	2,194,126	2,194,126	4,267,025	2,072,899
Other Financing Sources (Uses)				
Operating Transfer In	640,000	640,000	1,364,770	724,770
Operating Transfer (Out)	(2,608,379)	(2,608,379)	(3,926,776)	(1,318,397)
Swap Proceeds	-	-	96,913	96,913
Total Other Financing Sources (Uses)	(1,968,379)	(1,968,379)	(2,465,093)	(496,714)
Net change in fund balances	225,747	225,747	1,801,932	1,576,185
Fund Balances - Beginning of Year (as restated, See Note 23)	-	-	15,812,838	15,812,838
Fund Balances - End of Year	\$ 225,747	\$ 225,747	\$ 17,614,770	\$ 17,389,023

COUNTY OF ADAMS
 SCHEDULE FO REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 CHILDREN AND YOUTH FUND
 FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental Revenues	\$ 6,013,501	\$ 6,013,501	\$ 6,740,337	\$ 726,836
Interest and Rents	900	900	1,212	312
Miscellaneous	85,000	85,000	99,466	14,466
Total Revenues	6,099,401	6,099,401	6,841,015	741,614
Expenditures				
Current:				
Human Services	7,203,891	7,203,891	7,097,772	106,119
Total Expenditures	7,203,891	7,203,891	7,097,772	106,119
Excess of Revenues Under Expenditures	(1,104,490)	(1,104,490)	(256,757)	847,733
Other Financing Sources				
Operating Transfer In	1,104,490	1,104,490	256,757	(847,733)
Total Other Financing Sources	1,104,490	1,104,490	256,757	(847,733)
Net change in fund balances	-	-	-	-
Fund Balances - Beginning of Year	-	-	-	-
Fund Balances - End of Year	\$ -	\$ -	\$ -	\$ -

COUNTY OF ADAMS
 SCHEDULE FO REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 DOMESTIC RELATIONS FUND
 FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental Revenues	\$ 951,222	\$ 951,222	\$ 867,449	\$ (83,773)
Charges for Services	7,750	7,750	5,532	(2,218)
Interest and Rents	10	10	915	905
Total Revenues	958,982	958,982	873,896	(85,086)
Expenditures				
Current:				
Judicial	1,411,117	1,411,117	92,962	1,318,155
Total Expenditures	1,411,117	1,411,117	92,962	1,318,155
Excess of Revenues Under Expenditures	(452,135)	(452,135)	780,934	1,233,069
Other Financing Sources				
Operating Transfer In	452,135	452,135	247,187	(204,948)
Operating Transfer (Out)	-	-	(1,028,121)	(1,028,121)
Total Other Financing Sources	452,135	452,135	(780,934)	(1,233,069)
Net change in fund balances	-	-	-	-
Fund Balances - Beginning of Year	-	-	-	-
Fund Balances - End of Year	\$ -	\$ -	\$ -	\$ -

**OTHER
SUPPLEMENTAL
INFORMATION**

COUNTY OF ADAMS
 CONSERVATION DISTRICT
 BALANCE SHEET
 DECEMBER 31, 2013

Assets

Cash and Cash Equivalents	\$ 342,865
Investments	386,068
Due From Other Governments	76,685
Restricted Assets	
Cash for Debt Service	33,679
Investments for Debt Service	160,000
Cash for Stream & Watershed Preservation	49,424
Investments for Stream & Watershed Preservation	<u>433,501</u>
Total Assets	<u>\$ 1,482,222</u>

Fund Balances

Fund Balances	
Restricted for:	
Debt Service	\$ 193,679
Stream & Watershed Preservation	482,925
Program Purposes	<u>805,618</u>
Total Fund Balances	<u>\$ 1,482,222</u>

COUNTY OF ADAMS
 CONSERVATION DISTRICT
 STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE
 FOR THE YEAR ENDED DECEMBER 31, 2013

Revenues	
Intergovernmental Revenues	\$ 410,753
Charges for Services	574,747
Interest	52,453
Other	<u>156,626</u>
Total Revenues	<u>1,194,579</u>
Expenditures	
Current:	
Conservation and Development	1,277,956
Debt Service	
Principal	159,156
Interest	<u>33,849</u>
Total Expenditures	<u>1,470,961</u>
Excess of revenues Over Expenditures	<u>(276,382)</u>
Other Financing Sources	
Operating Transfers In	<u>411,536</u>
Total Other Financing Sources	<u>411,536</u>
Excess of Revenues and Other Financing Sources Under Expenditures	135,154
Fund Balance - Beginning of Year	<u>1,347,068</u>
Fund Balance - End of Year	<u>\$ 1,482,222</u>