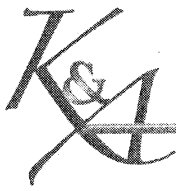


**Borough of Indiana, Indiana County  
Indiana, Pennsylvania  
Audit Report  
For the Year Ended  
December 31, 2022**

## Table of Contents

Independent Auditors' Report .....	3
Basic Financial Statements:	
Statement of Net Position – Modified Cash Basis .....	6
Statement of Activities – Modified Cash Basis.....	7
Balance Sheet – Modified Cash Basis – Governmental Funds .....	9
Statement of Revenues, Expenditures, and Changes in Fund Balances – Modified Cash Basis – Governmental Funds.....	10
Statement of Net Position – Modified Cash Basis – Proprietary Funds.....	11
Statement of Revenues, Expenses, and Changes in Fund Net Position – Modified Cash Basis – Proprietary Funds.....	12
Statement of Fiduciary Net Position – Modified Cash Basis .....	13
Statement of Changes in Fiduciary Net Position – Modified Cash Basis .....	14
Notes to Financial Statements.....	15
Supplementary Information:	
Combining Statements:	
Balance Sheet – Modified Cash Basis – Major Fund: Special Revenue Funds .....	33
Statement of Revenues, Expenditures, and Changes in Fund Balances – Modified Cash Basis – Major Fund: Special Revenue Funds .....	34
Statement of Net Position – Modified Cash Basis – Proprietary Funds.....	35
Statement of Revenues, Expenses, and Changes in Fund Net Position – Modified Cash Basis – Proprietary Funds .....	36
Other Information:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Modified Cash Basis – Budget to Actual – General Fund.....	37
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	38



### Independent Auditors' Report

Borough Council  
Indiana Borough  
80 North 8<sup>th</sup> Street  
Indiana, Pennsylvania

#### Opinions

We have audited the modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Indiana, Indiana County as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Indiana, Indiana County, as of December 31, 2022, and the respective changes in modified cash basis financial position for the year then ended, in accordance with the modified cash basis of accounting described in Note 2.

#### Basis for Opinions

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. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Borough of Indiana, Indiana County, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Emphasis of Matter – Restatement of Fund Balance

As discussed in Note 11 to the financial statements, fund balance of the general fund and capital project fund was restated effective January 1, 2022 to combine the police capital activity with the general fund for reporting purposes. Our opinions are not modified with respect to this matter.

#### Emphasis of Matter – Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

## **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 2, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Borough of Indiana, Indiana County's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Borough of Indiana, Indiana County's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise the Borough of Indiana's basic financial statements. The combining governmental fund financial statements on pages 33-36 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other

records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining governmental fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole on the basis of accounting described in Note 2.

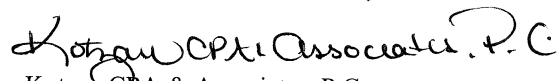
#### **Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the budgetary comparison information on page 37 but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2023 on our consideration of the Borough of Indiana'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 solely 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 the effectiveness of the Borough of Indiana's 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 Borough of Indiana's internal control over financial reporting and compliance.

  
Kotzan CPA & Associates, P.C.  
Johnstown, Pennsylvania  
March 29, 2023

**Borough of Indiana**  
**Statement of Net Position – Modified Cash Basis**  
**December 31, 2022**

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and equivalents	\$ 3,764,968	\$ 4,040,655	\$ 7,805,623
Investments	0	1,389,374	1,389,374
Internal balances	432,423	52,125	484,548
 Total assets	 4,197,391	 5,482,154	 9,679,545
<b>Deferred Outflows of Resources</b>			
	0	0	0
Total assets and deferred outflows of resources	\$ 4,197,391	\$ 5,482,154	\$ 9,679,545
<b>Liabilities</b>			
Payroll withholdings	\$ 14,126	\$ 0	\$ 14,126
Pension contribution payable	373,652	0	373,652
Internal balances	52,125	432,423	484,548
 Total liabilities	 439,903	 432,423	 872,326
<b>Deferred Inflows of Resources</b>			
	0	0	0
<b>Net Position</b>			
Restricted (Note 2C)	2,001,271	0	2,001,271
Unrestricted	1,756,217	5,049,731	6,805,948
 Total net position	 3,757,488	 5,049,731	 8,807,219
Total liabilities, deferred inflows of resources and net position	\$ 4,197,391	\$ 5,482,154	\$ 9,679,545

See accompanying notes to the basic financial statements.

**Borough of Indiana**  
**Statement of Activities – Modified Cash Basis**  
**For the Year Ended December 31, 2022**

	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental Activities:</b>							
General government	\$ 661,637	\$ 134,948	\$ 13,573	\$ 0	\$ (513,116)	\$ 0	\$ (513,116)
Public safety	3,312,509	401,226	151,984	62,078	(2,697,221)	0	(2,697,221)
Public works - highways, roads and streets	1,551,038	406,794	357,667	72,735	(713,842)	0	(713,842)
Other public works	76,316	0	4,278	0	(72,038)	0	(72,038)
Culture and recreation	230,754	0	5,664	0	(225,090)	0	(225,090)
Community development	96,985	0	33,564	0	(63,421)	0	(63,421)
Principal and interest on indebtedness, net proceeds	(22,021)	0	0	0	22,021	0	22,021
Benefits	597,495	0	369,981	0	(227,514)	0	(227,514)
Insurance	94,003	0	0	0	(94,003)	0	(94,003)
Total governmental activities	<u>6,598,716</u>	<u>942,968</u>	<u>936,711</u>	<u>134,813</u>	<u>(4,584,224)</u>	<u>0</u>	<u>(4,584,224)</u>
<b>Business-type Activities:</b>							
Sewer	2,887,467	4,195,856	0	0	0	1,308,389	1,308,389
Parking	496,541	691,603	0	0	0	195,062	195,062
Sanitation	737,900	684,329	0	5,749	0	(47,822)	(47,822)
Principal and interest on indebtedness	1,333,311	0	0	0	0	(1,333,311)	(1,333,311)
Total business-type activities	<u>5,455,219</u>	<u>5,571,788</u>	<u>0</u>	<u>5,749</u>	<u>0</u>	<u>122,318</u>	<u>122,318</u>
Total primary government	<u>\$ 12,053,935</u>	<u>\$ 6,514,756</u>	<u>\$ 936,711</u>	<u>\$ 140,562</u>	<u>(4,584,224)</u>	<u>122,318</u>	<u>(4,461,906)</u>

See accompanying notes to the basic financial statements.

**Borough of Indiana**  
**Statement of Activities – Modified Cash Basis**  
**For the Year Ended December 31, 2022**

	Program Revenues			Net (Expenses) Revenues and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Total primary government	<u>\$ 12,053,935</u>	<u>\$ 6,514,756</u>	<u>\$ 936,711</u>	<u>\$ 140,562</u>	<u>\$ (4,584,224)</u>	<u>\$ 122,318</u>	<u>\$ (4,461,906)</u>
<b>General Revenues:</b>							
Taxes:							
Property tax					3,332,893	0	3,332,893
Income tax					838,418	0	838,418
Flat rate assessments					283,449	0	283,449
Grants and subsidies, not restricted					693,447	0	693,447
Investment income					16,697	22,570	39,267
Refund of prior year expenditures					139,154	12,563	151,717
Other					2,975	0	2,975
Total general revenues					<u>5,307,033</u>	<u>35,133</u>	<u>5,342,166</u>
<b>Special Items:</b>							
Gain from fixed asset disposition					16,390	12,400	28,790
Total special items					<u>16,390</u>	<u>12,400</u>	<u>28,790</u>
Change in net position					739,199	169,851	909,050
Net position - beginning of year					<u>3,018,289</u>	<u>4,879,880</u>	<u>7,898,169</u>
Net position - end of year					<u>\$ 3,757,488</u>	<u>\$ 5,049,731</u>	<u>\$ 8,807,219</u>

See accompanying notes to the basic financial statements.



**Borough of Indiana**  
**Balance Sheet – Modified Cash Basis**  
**Governmental Funds**  
**December 31, 2022**

	General Fund	Major Fund Special Revenue Fund	Major Fund Capital Projects Fund	Total Governmental Funds
<b>Assets</b>				
Cash	\$ 1,777,693	\$ 588,918	\$ 1,398,357	\$ 3,764,968
Interfund receivables	<u>432,423</u>	<u>13,996</u>	<u>0</u>	<u>446,419</u>
Total assets	2,210,116	602,914	1,398,357	4,211,387
<b>Deferred Outflows of Resources</b>				
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total assets and deferred outflows of resources	<u>\$ 2,210,116</u>	<u>\$ 602,914</u>	<u>\$ 1,398,357</u>	<u>\$ 4,211,387</u>
<b>Liabilities</b>				
Payroll withholdings	\$ 14,126	\$ 0	\$ 0	\$ 14,126
Pension contribution payable	373,652	0	0	373,652
Interfund payables	<u>66,121</u>	<u>0</u>	<u>0</u>	<u>66,121</u>
Total liabilities	<u>453,899</u>	<u>0</u>	<u>0</u>	<u>453,899</u>
<b>Deferred Inflows of Resources</b>				
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Fund Balance</b>				
Restricted (Note 2C)	0	602,914	1,398,357	2,001,271
Unassigned	<u>1,756,217</u>	<u>0</u>	<u>0</u>	<u>1,756,217</u>
Total fund balance	<u>1,756,217</u>	<u>602,914</u>	<u>1,398,357</u>	<u>3,757,488</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 2,210,116</u>	<u>\$ 602,914</u>	<u>\$ 1,398,357</u>	<u>\$ 4,211,387</u>

See accompanying notes to the basic financial statements.

**Borough of Indiana**  
**Statement of Revenues, Expenditures, and Changes in Fund**  
**Balances – Modified Cash Basis**  
**Governmental Funds**  
**For the Year Ended December 31, 2022**

	General Fund	Major Fund Special Revenue Fund	Major Fund Capital Projects Fund	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$ 4,263,510	\$ 191,250	\$ 0	\$ 4,454,760
Intergovernmental	601,768	355,167	768,682	1,725,617
Charges for services	740,995	0	0	740,995
Fines and forfeitures	67,025	0	0	67,025
Licenses and permits	134,701	0	0	134,701
Interest, rents and royalties	4,061	4,325	8,557	16,943
Private sector funding	13,136	5,664	20,555	39,355
Miscellaneous	2,975	0	0	2,975
Total revenues	<u>5,828,171</u>	<u>556,406</u>	<u>797,794</u>	<u>7,182,371</u>
<b>Expenditures</b>				
General government	607,279	0	54,358	661,637
Public safety	3,144,332	83,315	84,862	3,312,509
Public works:				
Highways, roads and streets	919,510	611,547	19,981	1,551,038
Other public works	39,386	0	36,930	76,316
Culture and recreation	119,120	111,634	0	230,754
Community development	0	5	96,980	96,985
Debt service:				
Principal	23,053	0	0	23,053
Interest	1,809	0	0	1,809
Benefits	597,495	0	0	597,495
Insurance	94,003	0	0	94,003
Total expenditures	<u>5,545,987</u>	<u>806,501</u>	<u>293,111</u>	<u>6,645,599</u>
Excess (deficiency) of revenues over expenditures	<u>282,184</u>	<u>(250,095)</u>	<u>504,683</u>	<u>536,772</u>
<b>Other financing sources (uses)</b>				
Proceeds from the disposition of assets	10,711	5,679	0	16,390
Proceeds from debt	46,883	0	0	46,883
Operating transfers	60	39,940	(40,000)	0
Refund of prior year expenditures	139,154	0	0	139,154
Total other financing sources (uses)	<u>196,808</u>	<u>45,619</u>	<u>(40,000)</u>	<u>202,427</u>
Net change in fund balance	478,992	(204,476)	464,683	739,199
Fund balance - beginning of year, restated	<u>1,277,225</u>	<u>807,390</u>	<u>933,674</u>	<u>3,018,289</u>
Fund balance - end of year	<u>\$ 1,756,217</u>	<u>\$ 602,914</u>	<u>\$ 1,398,357</u>	<u>\$ 3,757,488</u>

See accompanying notes to the basic financial statements.

**Borough of Indiana**  
**Statement of Net Position – Modified Cash Basis**  
**Proprietary Funds**  
**December 31, 2022**

	Major Fund Sewer Fund	Major Fund Parking Fund	Major Fund Sanitation Fund	Total
<b>Assets</b>				
Cash and equivalents	\$ 3,224,185	\$ 274,587	\$ 541,883	\$ 4,040,655
Investments	1,389,374	0	0	1,389,374
Interfund receivables	<u>52,125</u>	<u>0</u>	<u>0</u>	<u>52,125</u>
Total assets	4,665,684	274,587	541,883	5,482,154
<b>Deferred Outflows of Resources</b>				
Total assets and deferred outflows of resources	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>\$ 4,665,684</u>	<u>\$ 274,587</u>	<u>\$ 541,883</u>	<u>\$ 5,482,154</u>
<b>Liabilities</b>				
Interfund payables	\$ 0	\$ 432,423	\$ 0	\$ 432,423
Total liabilities	<u>0</u>	<u>432,423</u>	<u>0</u>	<u>432,423</u>
<b>Deferred Inflows of Resources</b>				
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Net Position</b>				
Unrestricted	<u>4,665,684</u>	<u>(157,836)</u>	<u>541,883</u>	<u>5,049,731</u>
Total net position	<u>4,665,684</u>	<u>(157,836)</u>	<u>541,883</u>	<u>5,049,731</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 4,665,684</u>	<u>\$ 274,587</u>	<u>\$ 541,883</u>	<u>\$ 5,482,154</u>

See accompanying notes to the basic financial statements.

**Borough of Indiana**  
**Statement of Revenues, Expenses, and Changes in Fund**  
**Net Position – Modified Cash Basis**  
**Proprietary Funds**  
**For the Year Ended December 31, 2022**

	Major Fund Sewer Fund	Major Fund Parking Fund	Major Fund Sanitation Fund	Total
<b>Operating Revenues:</b>				
Charges for services:				
Sewer	\$ 4,195,856	\$ 0	\$ 0	\$ 4,195,856
Sanitation	0	0	684,329	684,329
Parking	0	691,603	0	691,603
Total operating revenues	<u>4,195,856</u>	<u>691,603</u>	<u>684,329</u>	<u>5,571,788</u>
<b>Operating Expenses:</b>				
Sewer	2,887,467	0	0	2,887,467
Sanitation	0	0	737,900	737,900
Parking	0	496,541	0	496,541
Total operating expenses	<u>2,887,467</u>	<u>496,541</u>	<u>737,900</u>	<u>4,121,908</u>
Operating income (loss)	<u>1,308,389</u>	<u>195,062</u>	<u>(53,571)</u>	<u>1,449,880</u>
<b>Non-Operating Revenues (Expenses):</b>				
Investment income	21,215	442	913	22,570
Proceeds from the disposition of assets	0	4,900	7,500	12,400
Refund of prior year expenditures	0	12,563	0	12,563
Capital grant	0	0	5,749	5,749
Debt service:				
Principal	(1,009,304)	(269,269)	0	(1,278,573)
Interest	(34,650)	(20,088)	0	(54,738)
Total non-operating revenues (expenses)	<u>(1,022,739)</u>	<u>(271,452)</u>	<u>14,162</u>	<u>(1,280,029)</u>
Change in net position	285,650	(76,390)	(39,409)	169,851
Total net position - beginning	<u>4,380,034</u>	<u>(81,446)</u>	<u>581,292</u>	<u>4,879,880</u>
Total net position - ending	<u>\$ 4,665,684</u>	<u>\$ (157,836)</u>	<u>\$ 541,883</u>	<u>\$ 5,049,731</u>

See accompanying notes to the basic financial statements.

**Borough of Indiana**  
**Statement of Fiduciary Net Position – Modified Cash Basis**  
**Fiduciary Funds**  
**December 31, 2022**

	Pension Trust Funds			Total Fiduciary Funds
	Management	Non-Management	Police	
<b>Assets</b>				
Cash and equivalents	\$ 95,240	\$ 75,101	\$ 245,308	\$ 415,649
Investments:				
Fixed income	1,485,001	1,188,205	3,981,339	6,654,545
Common stocks	1,719,255	1,973,701	7,069,563	10,762,519
Mutual funds	564,871	472,746	1,969,923	3,007,540
Contributions receivable	0	0	373,652	373,652
Accrued income	<u>11,951</u>	<u>9,480</u>	<u>33,087</u>	<u>54,518</u>
Total assets	3,876,318	3,719,233	13,672,872	21,268,423
<b>Deferred Outflows of Resources</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total assets and deferred outflows of resources	<u>\$ 3,876,318</u>	<u>\$ 3,719,233</u>	<u>\$ 13,672,872</u>	<u>\$ 21,268,423</u>
<b>Liabilities</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>Deferred Inflows of Resources</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Net Position</b>				
Held in trust for employee pension benefits	<u>3,876,318</u>	<u>3,719,233</u>	<u>13,672,872</u>	<u>21,268,423</u>
Total net position	<u>3,876,318</u>	<u>3,719,233</u>	<u>13,672,872</u>	<u>21,268,423</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 3,876,318</u>	<u>\$ 3,719,233</u>	<u>\$ 13,672,872</u>	<u>\$ 21,268,423</u>

See accompanying notes to the basic financial statements.

**Borough of Indiana**  
**Statement of Changes in Fiduciary Net Position – Modified Cash Basis**  
**Fiduciary Funds**  
**For the Year Ended December 31, 2022**

	Pension Trust Funds			Total Fiduciary Funds
	Management	Non-Management	Police	
<b>Additions</b>				
Contributions:				
Commonwealth	\$ 19,006	\$ 0	\$ 350,975	\$ 369,981
Municipal	6,293	0	22,677	28,970
Employee deferral	33,042	51,682	86,437	171,161
Interest and dividends	<u>116,138</u>	<u>105,508</u>	<u>395,273</u>	<u>616,919</u>
Total additions	<u>174,479</u>	<u>157,190</u>	<u>855,362</u>	<u>1,187,031</u>
<b>Deductions</b>				
Benefits	165,458	198,123	724,109	1,087,690
Administrative expense	49,366	31,624	90,094	171,084
Investment loss	<u>742,259</u>	<u>755,039</u>	<u>2,780,743</u>	<u>4,278,041</u>
Total deductions	<u>957,083</u>	<u>984,786</u>	<u>3,594,946</u>	<u>5,536,815</u>
Change in net position	(782,604)	(827,596)	(2,739,584)	(4,349,784)
Net position - beginning of year	<u>4,658,922</u>	<u>4,546,829</u>	<u>16,412,456</u>	<u>25,618,207</u>
Net position - end of year	<u>\$ 3,876,318</u>	<u>\$ 3,719,233</u>	<u>\$ 13,672,872</u>	<u>\$ 21,268,423</u>

See accompanying notes to the basic financial statements.

**Borough of Indiana**  
**Notes to Financial Statements**  
**December 31, 2022**

**Note 1 – Description of Borough and Reporting Entity**

Indiana Borough, Indiana County (the Borough), was incorporated in 1816 under the Commonwealth of Pennsylvania Municipalities Act. It is operated under the direction of an elected council and an appointed manager.

Component units are legally separate organizations for which the Borough is financially accountable or other organizations whose nature and significant relationship with the Borough are such that exclusion would cause the Borough's financial statements to be misleading. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and (1) either the Borough's ability to impose its will on the organization or (2) there is potential for the organization to provide a financial benefit to or impose a financial burden on the Borough. The Borough has no component units.

**Note 2 – Summary of Significant Accounting Policies**

As discussed further in Note 2.B, these financial statements are presented in accordance with the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) established by the Governmental Accounting Standards Board (GASB). These modified cash basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP, in substance, but are limited to the elements presented in the financial statements and the constraints of the measurement and recognition criteria of the modified cash basis of accounting.

**A. Basis of Presentation**

Government-wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole within the limitations of the modified cash basis of accounting. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Net Position presents the financial condition of the governmental and business-type activities of the Borough at year end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the Borough's governmental and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and are, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of goods and services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Borough. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Borough.

**Borough of Indiana**  
**Notes to Financial Statements**  
**December 31, 2022**

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position or fund balance, revenues, and expenditures or expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Borough or meets the following criteria:

- a. Total assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. Total assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the Borough and is always classified as a major fund. It is used to account for all financial resources not accounted for and reported in another fund.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of the specific revenue sources that are either restricted or committed to expenditures for specified purposes other than debt service or capital projects. The Borough includes the following special revenue funds, which are combined and reported as a major fund:

Liquid Fuels Fund: Accounts for state grants restricted to road construction and maintenance.

Fire Protection Fund: Accounts for 0.189 mill of real estate taxes collected and restricted for public safety as it pertains to fire protection.

Library Fund: Accounts for 0.136 mill of real estate taxes collected and restricted for the Borough's annual operating contribution to the library.

Street Light Fund: Accounts for delinquent real estate taxes collected and restricted for street light operation and maintenance. Tax was not levied for street light purposes in 2022.

Shade Tree Fund: Accounts for 0.035 mill of real estate taxes collected and restricted for planting and maintenance of shade trees.



**Borough of Indiana**  
**Notes to Financial Statements**  
**December 31, 2022**

Bidd Loan Pool: Accounts for funds restricted for revolving loans between the Borough and community businesses for the purpose of stimulating economic growth.

5-Year BID Program Fund: Accounts for special assessment collected and restricted for the Downtown Indiana Economic Development Project – Business Improvement District (BID).

Capital Projects Fund

The Capital Projects Fund accounts for the acquisition or construction of capital equipment and projects. The Borough reports its capital projects fund as a major fund.

Proprietary Funds

Enterprise Funds

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector. The Borough includes the following enterprise funds:

Sewer Fund (Major Fund): Accounts for the activities of the public trust in providing sewage services to Borough and, as applicable, White Township residents including operation and maintenance of the sewer plant.

Parking Fund (Major Fund): Accounts for fees and fines collected for parking including the parking garage, the surrounding parking lots, parking meter collections and parking violations as well as expenditures associated with the operation and maintenance of these facilities and equipment.

Sanitation Fund (Major Fund): Accounts for fees collected and the associated expenditures for providing recycling and trash collection services to Borough residents.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and custodial funds. Trust funds are used to account for assets held by the Borough under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Borough's own programs. The Borough's only trust funds are pension trust funds.

Pension Trust Funds

Pension Trust Funds report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other post-employment benefit plans, or other employee benefit plans. The Borough includes the following pension trust funds:

Management Plan: Accounts for the activity of the defined benefit plan for management-level employees. The management plan also includes a defined contribution component.

Non-Management Plan: Accounts for the activity of the defined benefit plan for the general government employees.

Police Plan: Accounts for the activity of the defined benefit plan for the police.

**Borough of Indiana**  
**Notes to Financial Statements**  
**December 31, 2022**

**B. Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe what transactions or events are recorded within the various financial statements. Basis of accounting refers to when and how transactions or events are recorded, regardless of the measurement focus applied.

Measurement Focus

In the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as defined in item b below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus within the limitations of the modified cash basis of accounting. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes “economic resources” measurement focus within the limitations of the modified cash basis of accounting. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), net financial position, and cash flows. All assets, deferred outflows of resources, liabilities and deferred inflows of resources (whether current or noncurrent, financial, or nonfinancial) associated with their activities are generally reported within the limitations of the modified cash basis of accounting.
- c. Fiduciary funds are reported using the economic resources measurement focus within the limitations of the modified cash basis of accounting.

Basis of Accounting

The financial statements are presented in accordance with the modified cash basis of accounting, which is a basis of accounting other than GAAP as established by GASB. This basis of accounting involves modifications to the cash basis of accounting to report in the statement of net position or balance sheet cash transactions or events that provide a benefit or result in an obligation that covers a period greater than the period in which the cash transaction or event occurred. Such reported balances include internal (interfund) balances, and liabilities resulting from payroll withholdings and pension contributions. The pension trust funds further report contributions receivable (from general fund) and accrued income.

**Borough of Indiana**  
**Notes to Financial Statements**  
**December 31, 2022**

This modified cash basis of accounting differs from GAAP primarily because certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses or expenditures (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) *are not recorded* in these financial statements. In addition, other economic assets, deferred outflows of resources, liabilities, and deferred inflows of resources that do not arise from a cash transaction or event *are not reported*, and the measurement of reported assets and liabilities *does not* involve adjustment to fair value, aside from the pension investments reflected in the fiduciary funds which are reported at fair value.

If the Borough utilized accounting principles generally accepted in the United States of America, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary and fiduciary fund types would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

**C. Financial Position**

Cash and Cash Equivalents

For the purpose of financial reporting, “cash and cash equivalents” includes all checking and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less.

Investment Valuation

The Borough categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on valuation inputs used to measure an asset’s fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The Borough invests in long-term, non-negotiable certificates of deposit with a local financial institution. Similar to checking and savings accounts, non-negotiable certificates of deposit are not subject to fair value or the aforementioned fair value level disclosures.

Although included in cash and cash equivalents, the Borough also invests in highly liquid money market funds which follow Rule 2a7. The money market maintains a stable net asset value of \$1.00 per share. Accordingly, these investments are excluded from the fair value hierarchy.

The Borough’s management, non-management and police pension plan investments, as reported on the fiduciary fund financial statements, are invested with Huntington Trust Company in various mutual funds, fixed income, and equity securities. Investments are reported at fair value using Level 1 inputs. The pension investments are further discussed in Note 4.

Capital Assets

The Borough’s modified cash basis of accounting does not report capital assets. Capital assets arising from cash transactions acquired for use in both the governmental fund and proprietary fund operations are accounted for as capital outlay expenditures of the respective funds upon acquisition.

**Borough of Indiana**  
**Notes to Financial Statements**  
**December 31, 2022**

Long-Term Debt

The Borough's modified cash basis of accounting does not report long-term debt arising from cash basis transactions of either the governmental funds or proprietary funds as liabilities. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures.

Leases

GASB Statement No. 87, *Leases*, defines a lease as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange transaction. The Borough's modified cash basis of accounting does not report lease assets or lease liabilities. When the Borough is the lessor, cash inflows are recorded as rental revenue when received. When the Borough is the lessee, cash outflows are recorded as department expenditures when paid.

Net Position/Fund Balance Classifications

Government-wide Statements

Net position can be displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets, and adjusted for any deferred inflows and outflows of resources attributable to capital assets and related debt.
- b. Restricted net position – Includes assets reduced by liabilities and deferred inflows of resources related to those assets, with restriction constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – Reflects the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

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

The government-wide statement of net position reports \$2,001,271 of restricted net position. Enabling legislation restricts \$383,606 for highway maintenance; \$39,033 for fire protection; \$4,778 for the library contribution; \$1,801 for street light operation and maintenance; \$52,254 for planting and maintenance of shade trees; and \$1,398,357 for capital projects. Further, state funding agencies restrict \$121,442 for revolving loans between the Borough and community businesses for purposes of stimulating economic growth.

**Borough of Indiana**  
**Notes to Financial Statements**  
**December 31, 2022**

Fund Financial Statements

Governmental fund equity is classified as fund balance.

GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions” provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance – amounts that are not in spendable form (such as inventory or prepaid items) or are required to be maintained intact.
- Restricted Fund Balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed Fund Balance – amounts constrained to specific purposes by the Borough itself, using its highest level of decision-making authority (i.e., Council). To be reported as committed, amounts cannot be used for any other purpose unless the Borough takes the same highest level action to remove or change the constraint.
- Assigned Fund Balance – amounts the Borough intends to use for a specific purpose. Intent can be expressed by the Borough Council or by an official or body to which the Borough Council delegates the authority.
- Unassigned Fund Balance – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

As of, December 31, 2022 fund balance components, other than unassigned, consist of the following:

	Restricted
Special Revenue Funds:	
Liquid Fuels Fund	\$ 383,606
Fire Protection Fund	39,033
Library Fund	4,778
Street Light Fund	1,801
Shade Tree Fund	52,254
Bidd Loan Pool Fund	121,442
Total Special Revenue	602,914
Capital Projects Fund	1,398,357
Total	\$ 2,001,271

The Borough Council establishes (and modifies or rescinds) fund balance commitments by resolution of Council. A fund balance commitment is further indicated in the budget document as a commitment of the fund. Assigned fund balance is established by the Borough Council through adoption or amendment of the budget as intended for a specific purpose.

The Borough would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

**Borough of Indiana  
Notes to Financial Statements  
December 31, 2022**

The Borough has no formal minimum fund balance policies or any formal stabilization arrangements in place.

Proprietary and Fiduciary Funds:

The difference among assets, deferred outflows of resources, liabilities, and deferred inflows of resources of proprietary and fiduciary funds is reported as net position and net position held in trust for employee benefits, respectively. They are classified in the same manner as the government-wide financial statements, as previously described.

**D. Deferred Outflows/Inflows of Resources**

Deferred outflows of resources represent the current *consumption* of net assets that is applicable to a future reporting period. The Borough currently reports no deferred outflows of resources.

Deferred inflows of resources represent the current *acquisition* of net assets that is applicable to a future reporting period. The Borough currently reports no deferred inflows of resources.

**E. Revenues, Expenditures and Expenses**

Program Revenues

In the Statement of Activities, modified cash basis revenues that are derived directly from each activity or from parties outside the Borough's taxpayers are reported as program revenues. The Borough has the following program revenues in each activity:

General Government	Licenses (including alcohol beverage tax) and permits; rents; state operating grants.
Public Safety	Fines and forfeits; building permits; charges for police service; federal and state capital and operating grants; and contributions for the police.
Public Works-Streets	Federal and state capital and operating grants; and internal charges for services.
Public Works-Other	Public utility realty tax (state funds).
Culture and Recreation	Contributions for shade tree projects.
Community development	Operating grants and contributions.
Benefits	Pension state aid.

All other governmental revenues are reported as general, except revenues deemed unusual or infrequent in nature, but within management control. These items, when applicable, are reported as special items. All taxes are classified as general revenue even if restricted for specific purposes.

**Borough of Indiana**  
**Notes to Financial Statements**  
**December 31, 2022**

Operating Revenues and Expenses

Operating revenues and expenses for the proprietary fund result from providing services and producing and delivering goods and/or services. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from nonexchange transactions or other activities.

**F. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. The Borough reported \$28,790 in proceeds from fixed asset disposition as a special item for the year ended December 31, 2022.

**G. Internal and Interfund Balances and Activities**

Fund Financial Statements

Interfund activity resulting from cash transactions or events, if any, within and among the governmental and proprietary fund categories is reported as follows in the fund financial statements:

1. Interfund loans – Amounts provided with a requirement for repayment are reported as interfund receivables and payables.
2. Interfund services – Sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses.
3. Interfund reimbursements – Repayments from funds responsible for certain expenditures/expenses to the funds that initially paid for them are not reported as reimbursements but as adjustments to expenditures/expenses in the respective funds.
4. Interfund transfers – Flow of assets from one fund to another where repayment is not expected are reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances resulting from cash transactions or events, if any, are eliminated or reclassified in the government-wide financial statements as follows:

1. Internal balances – Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental and business-type activities columns of the Statement of Net Position, except for the net residual amounts due between governmental and business-type activities which are reported as Internal Balances.
2. Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers-Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities.

**Borough of Indiana**  
**Notes to Financial Statements**  
**December 31, 2022**

**H. Use of Estimates**

The preparation of financial statements in accordance with the modified cash basis of accounting used by the Borough requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

**I. Budgets and Budgetary Accounting**

An operating budget is adopted each year for the Borough General Fund on a modified cash basis of accounting in accordance with the Commonwealth of Pennsylvania Borough Code.

The Pennsylvania law dictates procedures relative to adoption of the Borough's budget and reporting of its financial statements specifically:

1. The Borough, before levying annual taxes, is required to prepare an operating budget for the succeeding fiscal year.
2. The Borough is required to publish by advertisement that the proposed budget has been prepared and is available for public inspection at the Borough office. Notice that public hearings will be held on the proposed operating budget must be included in the advertisement. Such hearings are required to be scheduled at least ten days prior to when final action on adoption is taken by the Borough.
3. The Borough Council may make transfers of funds appropriated to any particular item of expenditure by legislative action. An affirmative vote of two-thirds of all members of the Council is required.

Basis of Accounting

The budget is prepared on the same modified cash basis of accounting as applied to the governmental funds in the basic financial statements. Revenues and expenditures are reported when they result from cash transactions. A formal budget is not adopted for the special revenue or capital projects funds.

**J. Pension Plan**

Substantially all full-time employees of the Borough participate in one of three single-employer defined benefit pension plans. Separate plans are maintained by the Borough for management, non-management and uniformed employees. The management plan also includes a defined contribution component. The Borough's modified cash basis of accounting does not report a net pension asset or liability or deferred outflows or inflows of resources related to pensions. The Borough has recognized contributions for the year ended December 31, 2022 as expenditures in the general fund, in accordance with the modified cash basis of accounting.



**Borough of Indiana**  
**Notes to Financial Statements**  
**December 31, 2022**

**Note 3 – Cash and Cash Equivalents and Investments**

Under the Commonwealth of Pennsylvania Borough Code, Act of February 1, 1966, as amended, the Borough is permitted to invest its monies as follows:

Obligations of (a) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or (c) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

Deposits in savings or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that approved collateral as provided by law is pledged by the depository.

Shares of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, provided certain requirements are met.

Repurchase agreements with respect to U. S. Treasury bills or obligations.

Local Government Investment Pools (LGIPs) which include, but are not limited to, the Pennsylvania Local Government Investment Trust (PLGIT).

Under Pennsylvania Act 10 of 2016, effective May 24, 2016, all Pennsylvania local governments have additional investment options including commercial paper, bankers' acceptances, and negotiable certificates of deposit. These additional investments are subject to maturity terms and credit rating requirements, as defined in the Act. However, due to the collateralization requirements of the Pennsylvania Security for Public Deposits Act, and because negotiable certificates of deposit do not exist in the current investment market in a collateralized form to satisfy the requirements, they are not an investment lawfully available to local governments at this time.

The deposit and investment policy of the Borough adheres to state statutes and prudent business practice. Cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and include investments with original maturities of three months or less. Cash and cash equivalents consist of cash on hand and demand deposits with local financial institutions. Cash and cash equivalents further include money market funds. The market values of deposits are equal to the cost of the deposits.

The Borough's investments, as reported on the financial statements, include several long-term, non-negotiable certificates of deposit with a local financial institution. The investments are stated at cost, including accrued interest which approximates market value.

Amounts on deposit in financial institutions, which are described as cash and cash equivalents in the Borough's financial statements, are covered by federal depository insurance or collateralized in accordance with the Pennsylvania Security for Public Deposits Act ("the Act"). Under the Act, banks holding public deposits in excess of the amounts insured by the FDIC must pledge collateral in the amount of 120% of excess deposits to a collateral pool.

**Borough of Indiana**  
**Notes to Financial Statements**  
**December 31, 2022**

**Cash**

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Borough’s deposits may not be returned to it. The Borough does not have a policy for custodial credit risk however, as previously noted, the Borough’s deposits in excess of the FDIC limit are collateralized in accordance with the Pennsylvania Security for Public Deposit Act. As of December 31, 2022, \$8,440,637 of the Borough’s bank balance of \$9,190,637 was exposed to custodial risk as:

Uninsured and uncollateralized	\$	0
Collateralized with securities held by the pledging financial institution		0
Uninsured and collateral held by the pledging bank's trust department not in the Borough's name		<u>8,440,637</u>
Total	\$	<u><u>8,440,637</u></u>

Reconciliation to Financial Statements

Uninsured amount above	\$	8,440,637
Plus: Insured amount		750,000
Plus: Deposits in transit		105,675
Less: Outstanding checks		<u>(101,315)</u>
Carrying amount - bank balances		9,194,997
Less: Certificates of deposit considered investments		(1,389,374)
Plus: Pension in money market funds considered cash equivalents		<u>415,649</u>
Total cash per financial statements	\$	<u><u>8,221,272</u></u>

Summary of Total Cash per Financial Statements

Governmental activities	\$	3,764,968
Business-type activities		4,040,655
Fiduciary activities		<u>415,649</u>
	\$	<u><u>8,221,272</u></u>

**Investments**

As of December 31, 2022 the Borough had the following investments and maturities:

<u>Investment</u>	<u>Maturity</u>	<u>Value</u>
Certificates of deposit	12-60 months	\$ 1,389,374
Pension investments	N/A	<u>20,840,253</u>
Total investments		<u><u>\$ 22,229,627</u></u>

**Borough of Indiana**  
**Notes to Financial Statements**  
**December 31, 2022**

Pension Investments

The Borough's pension plans are invested with Huntington Trust in various mutual funds and fixed income and equity securities. The deposits and investments of the pension plans are held separately from those of the Borough, and are under the control of the pension plans' Board. The investments are reported at fair value using Level 1 inputs.

Interest Rate Risk

The Borough does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

State law limits investments to those authorized by State statutes. However, the Borough has no investment policy that would limit its investment choices to certain credit ratings.

Concentration of Credit Risk

The Borough places no limit on the amount the Borough may invest in any one issuer.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Borough will not be able to recover the value of its investments or collateral security that are in possession of an outside party. The Borough has no investment subject to custodial credit risk.

Reconciliation to Financial Statements

Total investments above	\$ 22,229,627
Less: Pension in money market funds considered cash equivalents	<u>(415,649)</u>
Total investments per financial statements	<u>\$ 21,813,978</u>

Summary of Total Investments per Financial Statements

Business-type activities	\$ 1,389,374
Fiduciary funds	<u>20,424,604</u>
	<u>\$ 21,813,978</u>

**Note 4 – Property Taxes**

The Borough collects property taxes based upon property valuations provided by the county assessor's office. The taxes are collected by the local elected tax collector. For 2022, the Borough levied property taxes of 5.662 mills per assessed valuation for general purposes, 0.189 mill per assessed valuation for fire protection, 0.136 mill per assessed valuation for the library, and 0.035 mill per assessed valuation for shade trees. The total tax levy of 6.022 mills per assessed valuation (\$530,000,100) would generate \$3,191,661 of property tax revenues.

**Borough of Indiana**  
**Notes to Financial Statements**  
**December 31, 2022**

The following is the tax calendar for the year ended December 31, 2022:

Mailing date	March 1
Discount period at 2%	March 1 to May 13
Face period	May 14 to July 13
Penalty period at 10%	July 14 to December 31
Lien date	January 15

**Note 5 – Long-Term Debt**

Although the Borough’s modified cash basis does not report long-term debt on either the government-wide or the fund financial statements, the Borough has chosen to disclose the following summary of long-term debt obligations for the year ended December 31, 2022:

	<u>Notes Payable</u>
Beginning of year	\$ 2,618,755
Debt issuance	46,883
Principal retirement	<u>(1,301,626)</u>
End of year	1,364,012
Less: current portion	<u>(706,119)</u>
Long-term debt	<u>\$ 657,893</u>

Maturities of long-term debt are as follows:

<u>Year Ended</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 706,119	\$ 87,370	\$ 793,489
2024	144,826	30,627	175,453
2025	145,920	23,368	169,288
2026	147,734	16,069	163,803
2027	155,196	8,607	163,803
2028	64,217	1,433	65,650
	<u>\$ 1,364,012</u>	<u>\$ 167,474</u>	<u>\$ 1,531,486</u>

Governmental Activity Debt

F.N.B. Equipment Finance Codes Vehicle

The Borough entered into a four-year financing agreement with F.N.B. Equipment Finance on April 15, 2021 for the purchase of a codes enforcement department vehicle in the maximum amount of \$20,410 at an interest rate of 3.65%. The balance outstanding at December 31, 2022 was \$10,198.

Community First National Bank Police Car

The Borough entered into a two-year financing agreement with Community First National Bank on April 21, 2021 for a portion of the purchase price of a police vehicle and equipment in the maximum amount of \$26,093 at an interest rate of 4.79%. Although the agreement and the Borough’s down payment occurred in 2021, the vehicle was not delivered until 2022. As a result, proceeds from debt were recognized in 2022. The balance outstanding at December 31, 2022 was \$13,352.

**Borough of Indiana**  
**Notes to Financial Statements**  
**December 31, 2022**

*First National Community Bank Codes Vehicle*

The Borough entered into a four-year financing agreement with First National Community Bank on April 7, 2022 for the purchase of a codes enforcement department vehicle in the maximum amount of \$20,790 at an interest rate of 3.65%. The balance outstanding at December 31, 2022 was \$15,305.

Parking Fund Debt

*First Commonwealth General Obligation Note, Series of 2017*

A general obligation note was issued in January 2017 in the amount of \$937,750 for the purpose of refinancing an existing loan, reimbursement to the general fund for parking expenditures, and the upgrade of the payment system at the parking garage. The note is payable to First Commonwealth Bank in monthly installments of \$12,271, including interest at a rate of 2.68% through January 2024. The balance outstanding at December 31, 2022 was \$144,281.

*First Commonwealth General Obligation Note, Series of 2008*

A general obligation note was issued in August 2008 in the amount of \$2,500,000 for parking garage renovations. This note is payable to First Commonwealth Bank in monthly installments of \$16,417, including interest at a rate of 4.87% through August 2028. The outstanding balance at December 31, 2022 was \$768,998.

Sewer Fund Debt

*First Commonwealth General Obligation Note, Series 2001*

A general obligation note was issued on June 29, 2001 in the amount of \$8,059,773 for sewer project construction. This note is payable to First Commonwealth Bank in monthly installments of \$52,240, including interest at various rates (4.785% at December 31, 2022) through June 2023. The outstanding balance at December 31, 2022 was \$307,845.

*PENNVEST General Obligation Note*

A general obligation note was issued in April 2001 in the amount of \$8,059,773 for sewer project construction. The note is payable to PENNVEST in monthly installments of approximately \$38,073 (including interest at 1.00%) for the first 53 months and \$39,057 (including interest at 1.349%) for the remaining 180 months through March 2023. The outstanding balance at December 31, 2022 was \$104,033.

Long-term financing arrangements entered into for governmental activity purposes are liquidated by the general fund and/or capital projects fund, whereas those related to business-type activities are liquidated by the respective proprietary fund.

**Borough of Indiana**  
**Notes to Financial Statements**  
**December 31, 2022**

**Note 6 – Interfund Transactions**

The following is a summary of interfund receivables and payables at December 31, 2022:

	Receivables	Payables
General Fund	\$ 432,423	\$ 66,121
Special Revenue Fund – Library	3,941	0
Special Revenue Fund – Fire Protection	4,376	0
Special Revenue Fund – Liquid Fuels	5,679	0
Proprietary Fund – Sewer	52,125	0
Proprietary Fund – Parking	0	432,423
	\$ 498,544	\$ 498,544

The General Fund retains the delinquent tax collections on behalf of the Library and Fire Protection Funds. As such, these delinquent tax collections are due to the respective funds at year end. General Fund also owes Liquid Fuels Fund for an insurance claim received associated with expenditures paid by Liquid Fuels Fund deposited to General Fund.

Due to General Fund cash flow deficiencies, the Borough passed an Ordinance on November 21, 2017 authorizing a loan from the Sewer Maintenance Fund in the maximum amount of \$500,000 at an annual interest rate of 4.25% for a two-year term. The Borough transferred \$200,000 in 2017. The repayment terms were restructured by Ordinance in December 2018 extending the term to 4 years. The final payment due in 2022 was not paid until March 2023. Accordingly, the loan balance due to the sewer fund at December 31, 2022 was \$52,125.

Conversely, \$432,423 due from Parking Fund to General Fund represents reimbursement of wages and benefits for both the current year and previous year.

Interfund transfers during the year ended December 31, 2022 were as follows:

	Transfer In	Transfer Out
Special Revenue Fund - Shade Tree Fund	\$ 40,000	\$ 0
Capital Projects Fund	0	40,000
General Fund	60	0
Special Revenue Fund - 5-Year Bid Program	0	60
	\$ 40,060	\$ 40,060

A portion of the American Rescue Plan Act funds awarded to the Borough were transferred to the Shade Tree Fund to subsidize projects.

**Borough of Indiana**  
**Notes to Financial Statements**  
**December 31, 2022**

**Note 7 – Pension Plans**

Plan Description

The Borough contributes to three (3) single-employer defined benefit pension plans, governed by the Council of Indiana Borough. Separate retirement plans are maintained by the Borough for management, non-management and uniformed employees. The management plan also includes a defined contribution component. Benefit provisions of the plans are established by resolution, effective January 1, 1976 for the management and non-management plans and October 6, 1970 for the uniformed (police) plan. The plans were adopted pursuant to Act 581, and may be amended by resolution of the Borough Council. The plans provide retirement, disability and death benefits and cost of living adjustments to qualifying plan members and beneficiaries.

Indiana Borough issues a publicly available financial report that includes financial statements for the plan. The report may be obtained by writing to Indiana Borough, 80 North 8<sup>th</sup> Street, Indiana, PA 15701.

Funding Policy

The contribution policy is set by ordinance and requires contributions of 5% of compensation by active employees. The contribution required by the employer is based on an actuarial valuation and is expressed as a percentage of annual compensation. Indiana Borough's contributions to the aforementioned plans, including state aid, for the years ended December 31, 2022, 2021 and 2020 totaled \$398,951, \$317,104, and \$340,867, respectively.

A comparison of accumulated plan benefits and plan net position for the plans as of the most recent actuarial valuation date is as follows:

<u>Actuarial valuation date</u>	<u>1/1/2021</u>	<u>1/1/2021</u>	<u>1/1/2021</u>
	<u>Management</u>	<u>Non-Management</u>	<u>Uniformed</u>
Plan assets available at fair market value	\$ 4,032,283	\$ 4,062,796	\$ 14,477,972
Pension benefit obligation			
Active members	1,667,242	912,313	5,984,774
Non-active members	1,153,316	2,181,853	8,011,796
Total pension benefit obligation	2,820,558	3,094,166	13,996,570
Excess (unfunded) actuarial accrued liability	\$ 1,211,725	\$ 968,630	\$ 481,402
Funded ratio	142.96%	131.31%	103.44%
Covered payroll	\$ 437,382	\$ 729,203	\$ 1,551,528
UAAL as a percentage of payroll	N/A	N/A	N/A

Significant actuarial assumptions for the respective plans are as follows:

Interest rate	6.75%	6.75%	6.75%
Projected salary increase per year	4.00%	4.00%	4.00%

The actuarial cost method used in determining plan benefits is the Entry Age Normal Actuarial Cost Method as described in Act 205 of 1984, as amended by Act 44 of 2009.

**Borough of Indiana**  
**Notes to Financial Statements**  
**December 31, 2022**

**Note 8 – Liquid Fuels Tax – Liquid Fuels Fund**

Revenue recorded within this special revenue fund is received annually by virtue of the Commonwealth of Pennsylvania Liquid Fuels Tax Act and expenditures are restricted to certain appropriations for highway purposes as approved by the Pennsylvania Department of Transportation. Unexpended allocations of such revenues are available for carryover and reappropriation to the succeeding year.

**Note 9 – Risk Management**

The Borough is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Borough has purchased various insurance policies to safeguard its assets from risk of loss. Insurance coverage appears to be consistent with previous years. During the year ended December 31, 2022 and the two previous fiscal years, no settlements exceeded insurance coverage.

**Note 10 – Contingent Liabilities and Commitments**

Grant Program Involvement

In the normal course of operations, the Borough participates in various federal and state grant/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability of reimbursement that may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

Litigation

The Borough is subject to various legal proceedings and claims which arise in the ordinary course of its business. In the opinion of management, the amount of ultimate liability with respect to these actions, if any, will not have a material adverse effect on the financial position, operations or cash flow of the Borough.

**Note 11 – Restatement of Fund Balance**

Fund Balance of the General Fund and Capital Projects Fund was restated as of January 1, 2022 to include police capital account activity with General Fund. The restatement resulted in an increase in the fund balance of the General Fund and a corresponding decrease in the fund balance of the Capital Projects Fund in the amount of \$41,343. This restatement affects the fund financial statements only.



**Borough of Indiana**  
**Combining Balance Sheet – Modified Cash Basis**  
**Major Fund: Special Revenue Funds**  
**December 31, 2022**

	Liquid Fuels Fund	Fire Protection Fund	Library Fund	Street Light Fund	Shade Tree Fund	Bidd Loan Pool	5-Year BID Program	Total
<b>Assets</b>								
Cash and equivalents	\$ 377,927	\$ 34,657	\$ 837	\$ 1,801	\$ 52,254	\$ 121,442	\$ 0	\$ 588,918
Interfund receivables	<u>5,679</u>	<u>4,376</u>	<u>3,941</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>13,996</u>
Total assets	<u>\$ 383,606</u>	<u>\$ 39,033</u>	<u>\$ 4,778</u>	<u>\$ 1,801</u>	<u>\$ 52,254</u>	<u>\$ 121,442</u>	<u>\$ 0</u>	<u>\$ 602,914</u>
<b>Liabilities and Fund Balance</b>								
<b>Liabilities</b>								
Total liabilities	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>Fund Balance</b>								
Restricted	<u>383,606</u>	<u>39,033</u>	<u>4,778</u>	<u>1,801</u>	<u>52,254</u>	<u>121,442</u>	<u>0</u>	<u>602,914</u>
Total fund balance	<u>383,606</u>	<u>39,033</u>	<u>4,778</u>	<u>1,801</u>	<u>52,254</u>	<u>121,442</u>	<u>0</u>	<u>602,914</u>
Total liabilities and fund balance	<u>\$ 383,606</u>	<u>\$ 39,033</u>	<u>\$ 4,778</u>	<u>\$ 1,801</u>	<u>\$ 52,254</u>	<u>\$ 121,442</u>	<u>\$ 0</u>	<u>\$ 602,914</u>

See accompanying notes to the basic financial statement

**Borough of Indiana**  
**Combining Statement of Revenues, Expenditures and**  
**Changes in Fund Balances – Modified Cash Basis**  
**Major Fund: Special Revenue Funds**  
**For the Year Ended December 31, 2022**

	Liquid Fuels Fund	Fire Protection Fund	Library Fund	Street Light Fund	Shade Tree Fund	Bidd Loan Pool	5-Year BID Program	Total
<b>Revenues</b>								
Taxes	\$ 0	\$ 100,416	\$ 73,049	\$ 0	\$ 17,785	\$ 0	\$ 0	\$ 191,250
Interest earnings	3,545	74	19	3	100	584	0	4,325
Intergovernmental	355,167	0	0	0	0	0	0	355,167
Private sector funding	0	0	0	0	5,664	0	0	5,664
Total revenues	<u>358,712</u>	<u>100,490</u>	<u>73,068</u>	<u>3</u>	<u>23,549</u>	<u>584</u>	<u>0</u>	<u>556,406</u>
<b>Expenditures</b>								
Public safety	0	83,315	0	0	0	0	0	83,315
Public works - highways and streets	611,547	0	0	0	0	0	0	611,547
Culture and recreation	0	0	80,000	0	31,634	0	0	111,634
Community development	0	0	0	0	0	0	5	5
Total expenditures	<u>611,547</u>	<u>83,315</u>	<u>80,000</u>	<u>0</u>	<u>31,634</u>	<u>0</u>	<u>5</u>	<u>806,501</u>
Excess (deficiency) of revenues over expenditures	<u>(252,835)</u>	<u>17,175</u>	<u>(6,932)</u>	<u>3</u>	<u>(8,085)</u>	<u>584</u>	<u>(5)</u>	<u>(250,095)</u>
<b>Other Financing Sources (Uses)</b>								
Proceeds from the disposition of assets	5,679	0	0	0	0	0	0	5,679
Operating transfers	0	0	0	0	40,000	0	(60)	39,940
Total other financing sources (uses)	<u>5,679</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>40,000</u>	<u>0</u>	<u>(60)</u>	<u>45,619</u>
Net change in fund balance	(247,156)	17,175	(6,932)	3	31,915	584	(65)	(204,476)
Fund balance - beginning of year	<u>630,762</u>	<u>21,858</u>	<u>11,710</u>	<u>1,798</u>	<u>20,339</u>	<u>120,858</u>	<u>65</u>	<u>807,390</u>
Fund balance - end of year	<u>\$ 383,606</u>	<u>\$ 39,033</u>	<u>\$ 4,778</u>	<u>\$ 1,801</u>	<u>\$ 52,254</u>	<u>\$ 121,442</u>	<u>\$ 0</u>	<u>\$ 602,914</u>

See accompanying notes to the basic financial statements.

**Borough of Indiana**  
**Combining Statement of Net Position – Modified Cash Basis**  
**Proprietary Funds**  
**December 31, 2022**

	Sewer			Parking	Sanitation	Total Proprietary
	Operating	Maintenance	Combined			
<b>Assets</b>						
Cash and equivalents	\$ 1,982,247	\$ 1,241,938	\$ 3,224,185	\$ 274,587	\$ 541,883	\$ 4,040,655
Investments	1,389,374	0	1,389,374	0	0	1,389,374
Interfund receivables	<u>8,548</u>	<u>52,125</u>	<u>60,673</u>	<u>0</u>	<u>0</u>	<u>60,673</u>
Total assets	3,380,169	1,294,063	4,674,232	274,587	541,883	5,490,702
<b>Deferred Outflows of Resources</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total assets and deferred outflows of resources	<u>\$ 3,380,169</u>	<u>\$ 1,294,063</u>	<u>\$ 4,674,232</u>	<u>\$ 274,587</u>	<u>\$ 541,883</u>	<u>\$ 5,490,702</u>
<b>Liabilities</b>						
Interfund payable	\$ <u>0</u>	\$ 8,548	\$ 8,548	\$ 432,423	\$ 0	\$ 440,971
Total liabilities	<u>0</u>	<u>8,548</u>	<u>8,548</u>	<u>432,423</u>	<u>0</u>	<u>440,971</u>
<b>Deferred Inflows of Resources</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Net Position</b>						
Unrestricted	<u>3,380,169</u>	<u>1,285,515</u>	<u>4,665,684</u>	<u>(157,836)</u>	<u>541,883</u>	<u>5,049,731</u>
Total net position	<u>3,380,169</u>	<u>1,285,515</u>	<u>4,665,684</u>	<u>(157,836)</u>	<u>541,883</u>	<u>5,049,731</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 3,380,169</u>	<u>\$ 1,294,063</u>	<u>\$ 4,674,232</u>	<u>\$ 274,587</u>	<u>\$ 541,883</u>	<u>\$ 5,490,702</u>

See accompanying notes to the basic financial statements

**Borough of Indiana**  
**Combining Statement of Revenues, Expenses and**  
**Changes in Fund Net Position – Modified Cash Basis**  
**Proprietary Funds**  
**For the Year Ended December 31, 2022**

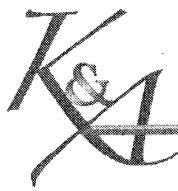
	Sewer			Parking	Sanitation	Total Proprietary
	Operating	Maintenance	Combined			
<b>Operating Revenues</b>						
Charges for services:						
Sewer	\$ 3,291,802	\$ 904,054	\$ 4,195,856	\$ 0	\$ 0	\$ 4,195,856
Sanitation	0	0	0	0	684,329	684,329
Parking	0	0	0	691,603	0	691,603
Total operating revenues	<u>3,291,802</u>	<u>904,054</u>	<u>4,195,856</u>	<u>691,603</u>	<u>684,329</u>	<u>5,571,788</u>
<b>Operating Expenses</b>						
Sewer	2,283,734	603,733	2,887,467	0	0	2,887,467
Sanitation	0	0	0	0	737,900	737,900
Parking	0	0	0	496,541	0	496,541
Total operating expenses	<u>2,283,734</u>	<u>603,733</u>	<u>2,887,467</u>	<u>496,541</u>	<u>737,900</u>	<u>4,121,908</u>
Operating income (loss)	<u>1,008,068</u>	<u>300,321</u>	<u>1,308,389</u>	<u>195,062</u>	<u>(53,571)</u>	<u>1,449,880</u>
<b>Non-Operating Revenues (Expenses)</b>						
Investment income	19,365	1,850	21,215	442	913	22,570
Proceeds from the disposition of assets	0	0	0	4,900	7,500	12,400
Refund of prior year expenditures	0	0	0	12,563	0	12,563
Operating transfers	8,548	(8,548)	0	0	0	0
Capital grant	0	0	0	0	5,749	5,749
Debt Service:						
Principal	(1,009,304)	0	(1,009,304)	(269,269)	0	(1,278,573)
Interest	(34,650)	0	(34,650)	(20,088)	0	(54,738)
Total non-operating revenues (expenses)	<u>(1,016,041)</u>	<u>(6,698)</u>	<u>(1,022,739)</u>	<u>(271,452)</u>	<u>14,162</u>	<u>(1,280,029)</u>
Change in net position	(7,973)	293,623	285,650	(76,390)	(39,409)	169,851
Total net position - beginning	<u>3,388,142</u>	<u>991,892</u>	<u>4,380,034</u>	<u>(81,446)</u>	<u>581,292</u>	<u>4,879,880</u>
Total net position - ending	<u>\$ 3,380,169</u>	<u>\$ 1,285,515</u>	<u>\$ 4,665,684</u>	<u>\$ (157,836)</u>	<u>\$ 541,883</u>	<u>\$ 5,049,731</u>

See accompanying notes to the basic financial statements.

**Borough of Indiana**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance –**  
**Budget to Actual**  
**General Fund**  
**For the Year Ended December 31, 2022**

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
<b>Revenues</b>				
Taxes	\$ 3,962,404	\$ 3,962,404	\$ 4,263,510	\$ 301,106
Intergovernmental revenues	439,780	439,780	601,768	161,988
Charges for services	724,923	724,923	740,995	16,072
Fines and forfeitures	80,500	80,500	67,025	(13,475)
Licenses and permits	131,600	131,600	134,701	3,101
Interest, rents and royalties	600	600	4,061	3,461
Proceeds from the disposition of assets	0	0	10,711	10,711
Proceeds from debt	0	0	46,883	46,883
Private sector funding	0	0	13,136	13,136
Refund of prior year expenditures	0	0	139,154	139,154
Operating transfers	0	0	60	60
Miscellaneous	10,000	10,000	2,975	(7,025)
Total revenues	5,349,807	5,349,807	6,024,979	675,172
<b>Expenditures</b>				
General government	679,925	679,925	607,279	72,646
Public safety	3,165,904	3,165,904	3,144,332	21,572
Public works:				
Highways, roads and streets	721,460	721,460	919,510	(198,050)
Other public works	81,000	81,000	39,386	41,614
Culture and recreation	220,190	220,190	119,120	101,070
Debt service principal	52,125	52,125	23,053	29,072
Debt service interest	0	0	1,809	(1,809)
Benefits	491,633	491,633	597,495	(105,862)
Insurance	80,000	80,000	94,003	(14,003)
Total expenditures	5,492,237	5,492,237	5,545,987	(53,750)
Excess (deficiency) of revenues over expenditures	\$ (142,430)	\$ (142,430)	478,992	\$ 621,422
Fund balance - beginning of year, restated			1,277,225	
Fund balance - end of year			\$ 1,756,217	

See accompanying notes to the basic financial statements.



**Report on Internal Control over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards***

**Independent Auditors' Report**

Borough Council  
Borough of Indiana  
80 North 8<sup>th</sup> Street  
Indiana, Pennsylvania 15701

We have audited, in accordance with the modified cash basis of accounting and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Indiana, Pennsylvania as of and for the year ended December 31, 2022 and the related notes to the financial statements, which collectively comprise the Borough of Indiana's basic financial statements, and have issued our report thereon dated March 29, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Borough of Indiana's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Borough's internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough of Indiana's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

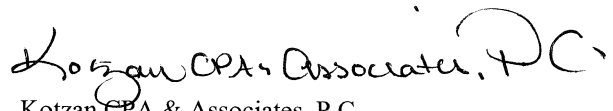
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Borough of Indiana's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Kotzan CPA & Associates, P.C.  
Johnstown, Pennsylvania  
March 29, 2023