

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

**Audit Report**

**For the Year Ended  
December 31, 2017**

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## **Independent Auditors' Report**

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

### **Report on the Financial Statements**

We have audited the accompanying 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, Pennsylvania, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Borough'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 the modified cash basis of accounting described in Note 2; this includes 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' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinion**

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, business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Indiana, Indiana County, as of December 31, 2017, and the respective changes in modified cash basis financial position for the year then ended, in accordance with the basis of accounting described in Note 2.

## **Change in Accounting Principle**

As discussed in Note 3 to the financial statements, in 2017 the Borough changed its basis of accounting from the accrual basis to the modified cash basis of accounting. Our opinion is not modified with respect to this 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.

## **Other Matters**

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough's financial statements as a whole. The combining governmental and proprietary fund financial statements (on pages 37-42) are presented for purposes of additional analysis and are not a required part of the financial statements. The combining governmental 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

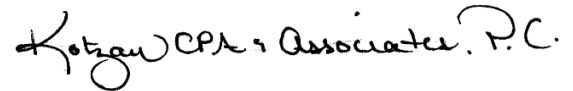
### *Other Information*

The Governmental Accounting Standards Board requires that the budgetary comparison information on page 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Borough of Indiana, Indiana County, has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board requires to supplement, although not to be a part of, 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. Our opinion on the basic financial statements is not affected by this missing information.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2018 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 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 Borough of Indiana's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Kotzan CPA & Associates, P.C." The signature is written in a cursive, flowing style.

Kotzan CPA & Associates, P.C.  
Johnstown, Pennsylvania  
March 28, 2018

**Borough of Indiana**  
**Statement of Net Position – Modified Cash Basis**  
**December 31, 2017**

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and equivalents	\$ 547,195	\$ 1,987,264	\$ 2,534,459
Investments	0	1,307,719	1,307,719
Internal balances	1,934,868	200,000	2,134,868
Total assets	2,482,063	3,494,983	5,977,046
<b>Deferred Outflows of Resources</b>			
	0	0	0
Total assets and deferred outflows of resources	\$ 2,482,063	\$ 3,494,983	\$ 5,977,046
<b>Liabilities</b>			
Payroll withholdings	\$ 13,272	\$ 0	\$ 13,272
Internal balances	200,000	1,934,868	2,134,868
Total liabilities	213,272	1,934,868	2,148,140
<b>Deferred Inflows of Resources</b>			
	0	0	0
<b>Net Position</b>			
Restricted (Note 2C)	319,146	0	319,146
Unrestricted	1,949,645	1,560,115	3,509,760
Total net position	2,268,791	1,560,115	3,828,906
Total liabilities, deferred inflows of resources and net position	\$ 2,482,063	\$ 3,494,983	\$ 5,977,046

See accompanying notes to the basic financial statements.

**Borough of Indiana**  
**Statement of Activities – Modified Cash Basis**  
**For the Year Ended December 31, 2017**

	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	\$ 651,838	\$ 154,566	\$ 8,375	\$ 0	\$ (488,897)	\$ 0	\$ (488,897)
Public safety	3,455,007	528,599	117,560	31,431	(2,777,417)	0	(2,777,417)
Public works - highways, roads and streets	1,383,757	938,365	368,262	0	(77,130)	0	(77,130)
Other public works	8,490	0	3,531	0	(4,959)	0	(4,959)
Culture and recreation	237,639	0	108	0	(237,531)	0	(237,531)
Community development	377,336	0	0	2,192,907	1,815,571	0	1,815,571
Principal and interest on indebtedness, net proceeds	1,947,357	0	0	0	(1,947,357)	0	(1,947,357)
Benefits	672,471	0	353,296	0	(319,175)	0	(319,175)
Insurance	57,602	0	0	0	(57,602)	0	(57,602)
Total governmental activities	<u>8,791,497</u>	<u>1,621,530</u>	<u>851,132</u>	<u>2,224,338</u>	<u>(4,094,497)</u>	<u>0</u>	<u>(4,094,497)</u>
<b>Business-type Activities:</b>							
Sewer	4,165,418	3,501,155	0	0	0	(664,263)	(664,263)
Parking	755,579	814,760	0	0	0	59,181	59,181
Sanitation	716,156	708,812	0	57,071	0	49,727	49,727
Principal and interest on indebtedness, net proceeds	849,928	0	0	0	0	(849,928)	(849,928)
Total business-type activities	<u>6,487,081</u>	<u>5,024,727</u>	<u>0</u>	<u>57,071</u>	<u>0</u>	<u>(1,405,283)</u>	<u>(1,405,283)</u>
Total primary government	<u>\$ 15,278,578</u>	<u>\$ 6,646,257</u>	<u>\$ 851,132</u>	<u>\$ 2,281,409</u>	<u>(4,094,497)</u>	<u>(1,405,283)</u>	<u>(5,499,780)</u>

See accompanying notes to the basic financial statements.

**Borough of Indiana**  
**Statement of Activities – Modified Cash Basis**  
**For the Year Ended December 31, 2017**

	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
Total primary government	<u>\$ 15,278,578</u>	<u>\$ 6,646,257</u>	<u>\$ 851,132</u>	<u>\$ 2,281,409</u>	<u>\$ (4,094,497)</u>	<u>\$ (1,405,283)</u>	<u>\$ (5,499,780)</u>
<b>General Revenues:</b>							
Taxes:							
Property tax					2,678,288	0	2,678,288
Income tax					674,014	0	674,014
Flat rate assessments					346,040	0	346,040
Investment income					4,174	24,404	28,578
Other					3,684	0	3,684
Total general revenues					<u>3,706,200</u>	<u>24,404</u>	<u>3,730,604</u>
<b>Special Items:</b>							
Gain from fixed asset disposition					<u>0</u>	<u>7,600</u>	<u>7,600</u>
Total special items					<u>0</u>	<u>7,600</u>	<u>7,600</u>
Change in net position					(388,297)	(1,373,279)	(1,761,576)
Net position - beginning of year, restated					<u>2,657,088</u>	<u>2,933,394</u>	<u>5,590,482</u>
Net position - end of year					<u>\$ 2,268,791</u>	<u>\$ 1,560,115</u>	<u>\$ 3,828,906</u>

See accompanying notes to the basic financial statements.



**Borough of Indiana**  
**Balance Sheet – Modified Cash Basis**  
**Governmental Funds**  
**December 31, 2017**

	General Fund	Major Fund Special Revenue Fund	Non-Major Fund Capital Projects Fund	Total Governmental Funds
<b>Assets</b>				
Cash	\$ 235,106	\$ 310,591	\$ 1,498	\$ 547,195
Interfund receivables	<u>1,934,868</u>	<u>7,057</u>	<u>0</u>	<u>1,941,925</u>
Total assets	2,169,974	317,648	1,498	2,489,120
<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>\$ 2,169,974</u>	<u>\$ 317,648</u>	<u>\$ 1,498</u>	<u>\$ 2,489,120</u>
<b>Liabilities</b>				
Payroll withholdings	\$ 13,272	\$ 0	\$ 0	\$ 13,272
Interfund payables	<u>207,057</u>	<u>0</u>	<u>0</u>	<u>207,057</u>
Total liabilities	<u>220,329</u>	<u>0</u>	<u>0</u>	<u>220,329</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	317,648	1,498	319,146
Unassigned	<u>1,949,645</u>	<u>0</u>	<u>0</u>	<u>1,949,645</u>
Total fund balance	<u>1,949,645</u>	<u>317,648</u>	<u>1,498</u>	<u>2,268,791</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 2,169,974</u>	<u>\$ 317,648</u>	<u>\$ 1,498</u>	<u>\$ 2,489,120</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, 2017**

	General Fund	Major Fund Special Revenue Fund	Non-Major Fund Capital Projects Fund	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$ 3,516,465	\$ 175,911	\$ 0	\$ 3,692,376
Intergovernmental	2,653,169	419,709	19,468	3,092,346
Charges for services	1,258,297	0	0	1,258,297
Fines and forfeitures	157,221	0	0	157,221
Licenses and permits	154,456	0	0	154,456
Assessments	0	5,966	0	5,966
Interest, rents and royalties	2,153	2,116	14	4,283
Private sector funding	108	0	34,463	34,571
Miscellaneous	3,684	0	0	3,684
Total revenues	<u>7,745,553</u>	<u>603,702</u>	<u>53,945</u>	<u>8,403,200</u>
<b>Expenditures</b>				
General government	651,838	0	0	651,838
Public safety	3,152,583	259,257	43,167	3,455,007
Public works:				
Highways, roads and streets	842,372	541,385	0	1,383,757
Other public works	8,490	0	0	8,490
Culture and recreation	150,201	87,438	0	237,639
Community development	225,193	5,966	146,177	377,336
Debt service:				
Principal	2,595,320	0	0	2,595,320
Interest	27,492	0	0	27,492
Benefits	672,471	0	0	672,471
Insurance	57,602	0	0	57,602
Total expenditures	<u>8,383,562</u>	<u>894,046</u>	<u>189,344</u>	<u>9,466,952</u>
Excess (deficiency) of revenues over expenditures	<u>(638,009)</u>	<u>(290,344)</u>	<u>(135,399)</u>	<u>(1,063,752)</u>
<b>Other financing sources (uses)</b>				
Proceeds from debt	675,455	0	0	675,455
Operating transfers	<u>(20,655)</u>	<u>10,655</u>	<u>10,000</u>	<u>0</u>
Total other financing sources (uses)	<u>654,800</u>	<u>10,655</u>	<u>10,000</u>	<u>675,455</u>
Net change in fund balance	16,791	(279,689)	(125,399)	(388,297)
Fund balance - beginning of year, restated	<u>1,932,854</u>	<u>597,337</u>	<u>126,897</u>	<u>2,657,088</u>
Fund balance - end of year	<u>\$ 1,949,645</u>	<u>\$ 317,648</u>	<u>\$ 1,498</u>	<u>\$ 2,268,791</u>

See accompanying notes to the basic financial statements.

**Borough of Indiana**  
**Statement of Net Position – Modified Cash Basis**  
**Proprietary Funds**  
**December 31, 2017**

	Major Fund Sewer Fund	Major Fund Parking Fund	Major Fund Sanitation Fund	Total
<b>Assets</b>				
Cash and equivalents	\$ 1,415,688	\$ 39,986	\$ 531,590	\$ 1,987,264
Investments	1,307,719	0	0	1,307,719
Interfund receivables	<u>200,000</u>	<u>0</u>	<u>0</u>	<u>200,000</u>
Total assets	2,923,407	39,986	531,590	3,494,983
<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>\$ 2,923,407</u>	<u>\$ 39,986</u>	<u>\$ 531,590</u>	<u>\$ 3,494,983</u>
<b>Liabilities</b>				
Interfund payables	<u>\$ 5,176</u>	<u>\$ 1,929,692</u>	<u>\$ 0</u>	<u>\$ 1,934,868</u>
Total liabilities	<u>5,176</u>	<u>1,929,692</u>	<u>0</u>	<u>1,934,868</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>2,918,231</u>	<u>(1,889,706)</u>	<u>531,590</u>	<u>1,560,115</u>
Total net position	<u>2,918,231</u>	<u>(1,889,706)</u>	<u>531,590</u>	<u>1,560,115</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 2,923,407</u>	<u>\$ 39,986</u>	<u>\$ 531,590</u>	<u>\$ 3,494,983</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, 2017**

	Major Fund Sewer Fund	Major Fund Parking Fund	Major Fund Sanitation Fund	Total
<b>Operating Revenues:</b>				
Charges for services:				
Sewer	\$ 3,501,155	\$ 0	\$ 0	\$ 3,501,155
Sanitation	0	0	708,812	708,812
Parking	0	814,760	0	814,760
	<u>3,501,155</u>	<u>814,760</u>	<u>708,812</u>	<u>5,024,727</u>
Total operating revenues				
<b>Operating Expenses:</b>				
Sewer	4,165,718	0	0	4,165,718
Sanitation	0	0	716,156	716,156
Parking	0	755,579	0	755,579
	<u>4,165,718</u>	<u>755,579</u>	<u>716,156</u>	<u>5,637,453</u>
Total operating expenses				
Operating income (loss)	<u>(664,563)</u>	<u>59,181</u>	<u>(7,344)</u>	<u>(612,726)</u>
<b>Non-Operating Revenues (Expenses):</b>				
Investment income	22,339	548	1,517	24,404
Proceeds from long-term debt	62,337	937,750	0	1,000,087
Proceeds from the disposition of assets	7,600	0	0	7,600
Capital grant	0	0	57,071	57,071
Debt service:				
Principal	(869,057)	(699,268)	0	(1,568,325)
Interest	(188,148)	(93,242)	0	(281,390)
	<u>(964,929)</u>	<u>145,788</u>	<u>58,588</u>	<u>(760,553)</u>
Total non-operating revenues (expenses)				
Change in net position	(1,629,492)	204,969	51,244	(1,373,279)
Total net position - beginning, restated	<u>4,547,723</u>	<u>(2,094,675)</u>	<u>480,346</u>	<u>2,933,394</u>
Total net position - ending	<u>\$ 2,918,231</u>	<u>\$ (1,889,706)</u>	<u>\$ 531,590</u>	<u>\$ 1,560,115</u>

See accompanying notes to the basic financial statements.

**Borough of Indiana**  
**Statement of Fiduciary Net Position – Modified Cash Basis**  
**Fiduciary Funds**  
**December 31, 2017**

	Pension			Total Fiduciary Funds
	Management	Non-Management	Police	
<b>Assets</b>				
Cash and equivalents	\$ 121,259	\$ 119,454	\$ 376,527	\$ 617,240
Investments:				
Fixed income	856,235	879,885	2,917,023	4,653,143
Common stocks	1,889,166	1,966,653	6,958,913	10,814,732
Mutual funds	240,618	243,164	885,864	1,369,646
Accrued income	7,062	7,400	23,288	37,750
Total assets	3,114,340	3,216,556	11,161,615	17,492,511
<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>\$ 3,114,340</u>	<u>\$ 3,216,556</u>	<u>\$ 11,161,615</u>	<u>\$ 17,492,511</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>3,114,340</u>	<u>3,216,556</u>	<u>11,161,615</u>	<u>17,492,511</u>
Total net position	<u>3,114,340</u>	<u>3,216,556</u>	<u>11,161,615</u>	<u>17,492,511</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 3,114,340</u>	<u>\$ 3,216,556</u>	<u>\$ 11,161,615</u>	<u>\$ 17,492,511</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, 2017**

	Pension			Total Fiduciary Funds
	Management	Non-Management	Police	
<b>Additions</b>				
Contributions:				
Commonwealth	\$ 77,600	\$ 42,098	\$ 233,598	\$ 353,296
Municipal	61,749	0	29,657	91,406
Employee deferral	26,274	53,288	90,059	169,621
Interest and dividends	61,440	62,874	224,898	349,212
Investment gain	359,598	373,573	1,347,635	2,080,806
Other income	<u>0</u>	<u>0</u>	<u>12</u>	<u>12</u>
Total additions	<u>586,661</u>	<u>531,833</u>	<u>1,925,859</u>	<u>3,044,353</u>
<b>Deductions</b>				
Benefits	127,463	62,412	511,920	701,795
Administrative expense	<u>23,417</u>	<u>24,950</u>	<u>67,411</u>	<u>115,778</u>
Total deductions	<u>150,880</u>	<u>87,362</u>	<u>579,331</u>	<u>817,573</u>
Change in net position	435,781	444,471	1,346,528	2,226,780
Net position - beginning of year	<u>2,678,559</u>	<u>2,772,085</u>	<u>9,815,087</u>	<u>15,265,731</u>
Net position - end of year	<u>\$ 3,114,340</u>	<u>\$ 3,216,556</u>	<u>\$ 11,161,615</u>	<u>\$ 17,492,511</u>

See accompanying notes to the basic financial statements.

**Borough of Indiana**  
**Notes to Financial Statements**  
**December 31, 2017**

**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.

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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 0.126 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 2017.

Shade Tree Fund: Accounts for 0.012 mill of real estate taxes collected and restricted for planting and maintenance of shade trees.

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



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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 Funds

Account for financial resources for the acquisition or construction of capital equipment and projects. The Borough includes the following capital projects funds, which are combined and reported as a non-major fund:

- Capital Projects Fund
- Capital Projects Fund – Police

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 agency 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.

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

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

**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.

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.

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.

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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 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.

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.

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**Notes to Financial Statements**  
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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 \$319,146 of restricted net position. Enabling legislation restricts \$164,276 for highway maintenance; \$24,915 for fire protection; \$2,955 for the library contribution; \$1,546 for street light operation and maintenance; \$5,097 for planting and maintenance of shade trees; and \$1,498 for capital projects. Further, state funding agencies restrict \$118,859 for revolving loans between the Borough and community businesses for purposes of stimulating economic growth.

Fund Financial Statements

Governmental Funds:

The difference among assets, deferred outflows, liabilities, and deferred inflows of governmental funds is reported as fund balance and classified as nonspendable, restricted, committed, assigned, and unassigned based on the respective level of constraint. These constraints are defined as follows:

- 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.

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- 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, 2017, fund balance components, other than unassigned, consist of the following:

	Restricted	
Special Revenue Funds:		
Liquid Fuels Fund	\$ 164,276	
Fire Protection Fund	24,915	
Library Fund	2,955	
Street Light Fund	1,546	
Shade Tree Fund	5,097	
Bidd Loan Pool Fund	118,859	
Total Special Revenue		\$ 317,648
Capital Projects Funds:		
Capital Projects Fund	363	
Capital Projects - Police	1,135	
Total Capital Projects		1,498
Total		\$ 319,146

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.

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.

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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; operating and capital grants and contributions for the fire company and police.
Public Works-Streets	State operating grants; and internal charges for services.
Public Works-Other	Public utility realty tax (state funds).
Culture and Recreation	Operating contributions.
Community Development	Capital 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 purpose.

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 \$7,600 in proceeds from fixed asset disposition as a special item for the year ended December 31, 2017.

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**Notes to Financial Statements**  
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**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 Statements 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.

**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.

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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-uniformed and uniformed employees. 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 made all required contributions for the year ended December 31, 2017, and has recognized them as expenditures in the general fund and sewer fund in accordance with the modified cash basis of accounting.

**Note 3 – Change in Accounting Principles and Restatement of Fund Balance and Net Position**

Change in Accounting Principles

In 2017, the Borough adopted the modified cash basis of accounting. In prior years, the financial statements were presented on the accrual basis of accounting. The modified cash basis of accounting was adopted because this method conforms more closely with prevalent practice in similar local municipalities. Further, Borough management believes that financial statements presented on the modified cash basis of accounting will ensure a clear and better understanding of the financial activity of the Borough by the average reader of the financial statements.

Accordingly, the beginning fund balance of the General Fund has been restated to reflect the conversion from the modified accrual basis to the modified cash basis of accounting. Further, the beginning net position of the Governmental and Business-Type Activities has been restated to reflect the conversion from the full accrual basis to the modified cash basis of accounting. These restatements are detailed below.



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Governmental Funds

Restatement of Fund Balance – Fund Financial Statements

The restatement of fund balance for the Governmental Funds due to the conversion from the modified accrual basis to the modified cash basis of accounting is as follows:

General Fund

Fund balance, December 31, 2016, modified accrual basis		\$2,114,681
Modified cash adjustments:		
Taxes receivable	(465,217)	
Accounts receivable	(41,440)	
Intergovernmental receivables	(871,617)	
Accounts payable	895,302	
Compensated absences	37,998	
Delinquent taxes receivable	<u>263,147</u>	
Total adjustments		<u>(181,827)</u>
Fund balance, December 31, 2016, modified cash basis		<u>\$1,932,854</u>

Special Revenue Fund

Fund balance, December 31, 2016, modified accrual basis		\$ 588,737
Modified cash adjustments:		
Taxes receivable	(4,092)	
Other receivables	(771)	
Accounts payable	<u>13,463</u>	
Total adjustments		<u>8,600</u>
Fund balance, December 31, 2016, modified cash basis		<u>\$ 597,337</u>

Capital Projects Fund

Fund balance, December 31, 2016, modified accrual basis		\$ (14,639)
Modified cash adjustments:		
Accounts payable		<u>141,536</u>
Fund balance, December 31, 2016, modified cash basis		<u>\$ 126,897</u>

**Borough of Indiana**  
**Notes to Financial Statements**  
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Restatement of Net Position – Government-wide Statements

The restatement of net position of the Governmental Activities due to the conversion from the full accrual basis to the modified cash basis of accounting is as follows:

Net position, December 31, 2016, full accrual basis		\$ 7,148,134
Modified cash adjustments:		
Taxes receivable	(469,309)	
Accounts receivable	(177,345)	
Intergovernmental receivables	(1,928,346)	
Other receivables	(771)	
Capital assets, net	(7,662,828)	
Deferred outflows of resources	(971,950)	
Accounts payable	210,656	
Compensated absences	62,042	
OPEB liability	3,396,889	
Notes payable and other financing	1,932,989	
Net pension liability	<u>1,116,927</u>	
Total adjustments		<u>(4,491,046)</u>
Net position, December 31, 2016, modified cash basis		<u>\$ 2,657,088</u>

Business-Type Activities

Restatement of Net Position – Fund and Government-wide Statements

The restatement of net position of the Proprietary Funds, as reflected in both the fund and the government-wide statements, due to the conversion from the full accrual basis to the modified cash basis of accounting is as follows:

Sewer Fund

Net position, December 31, 2016, full accrual basis		\$17,635,132
Modified cash adjustments:		
Accounts receivable	(247,850)	
Intergovernmental receivables	(30,431)	
Capital assets, net	(18,898,904)	
Accounts payable	78,114	
Compensated absences	17,475	
Notes payable	<u>5,994,187</u>	
Total adjustments		<u>(13,087,409)</u>
Net position, December 31, 2016, modified cash basis		<u>\$ 4,547,723</u>

**Borough of Indiana**  
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Parking Fund

Net position, December 31, 2016, full accrual basis		\$ (369,147)
Modified cash adjustments:		
Accounts receivable	(40,712)	
Capital assets, net	(3,620,586)	
Accounts payable	4,181	
Notes payable	<u>1,931,589</u>	
Total adjustments		<u>(1,725,528)</u>
Net position, December 31, 2016, modified cash basis		<u><u>\$ (2,094,675)</u></u>

Sanitation Fund

Net position, December 31, 2016, full accrual basis		\$ 623,607
Modified cash adjustments:		
Accounts receivable	(200,215)	
Capital assets, net	(9,472)	
Accounts payable	<u>66,426</u>	
Total adjustments		<u>(143,261)</u>
Net position, December 31, 2016, modified cash basis		<u><u>\$ 480,346</u></u>

**Note 4 – 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).

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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.

**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, 2017, \$3,226,285 of the Borough's bank balance of \$3,976,285 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>3,226,285</u>
Total	<u>\$ 3,226,285</u>

Reconciliation to Financial Statements

Uninsured amount above	\$ 3,226,285
Plus: Insured amount	750,000
Plus: Deposits in transit	2,701
Less: Outstanding checks	<u>(175,180)</u>
Carrying amount – bank balances	3,803,806
Less: Certificates of deposit considered investments	(1,307,719)
Plus: Pension in money market funds considered cash equivalents	617,240
Cash on hand (utilities)	<u>38,372</u>
Total cash per financial statements	<u>\$ 3,151,699</u>

**Borough of Indiana**  
**Notes to Financial Statements**  
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Summary of Total Cash per Financial Statements

Governmental Activities	\$ 547,195
Business-type Activities	1,987,264
Fiduciary Funds	<u>617,240</u>
Total cash per financial statements	<u>\$3,151,699</u>

**Investments**

As of December 31, 2017, the Borough had the following investments and maturities:

<u>Investment</u>	<u>Maturity</u>	<u>Value</u>
Certificates of Deposit	12-60 months	\$ 1,307,719
Pension investments	N/A	<u>17,454,761</u>
Total investments		<u>\$18,762,480</u>

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	\$18,762,480
Less: Pension in money market funds considered cash equivalents	<u>(617,240)</u>
Total investments per financial statements	<u>\$18,145,240</u>

**Borough of Indiana  
Notes to Financial Statements  
December 31, 2017**

Summary of Total Investments per Financial Statements

Business-type Activities	\$ 1,307,719
Fiduciary Funds	<u>16,837,521</u>
	<u>\$18,145,240</u>

**Note 5 – 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 2017, the Borough levied property taxes of 4.471 mills per assessed valuation for general purposes, 0.189 mill per assessed valuation for fire protection, 0.126 mill per assessed valuation for the library, and 0.012 mill per assessed valuation for shade trees. The total tax levy of 4.798 mills per assessed valuation (\$547,721,400) would generate \$2,627,969 of property tax revenues.

The following is the tax calendar for the year ended December 31, 2017:

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 6 – 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, 2017:

	<u>Notes Payable</u>
Beginning of year	\$ 9,858,765
*Debt issuance	1,675,542
*Principal retirement	<u>(4,163,645)</u>
End of year	7,370,662
Less: current portion	<u>(1,098,800)</u>
Long-term debt	<u>\$ 6,271,862</u>

\*Includes the 2017 tax anticipation note of \$500,000.

**Borough of Indiana  
Notes to Financial Statements  
December 31, 2017**

Maturities of long-term debt are as follows:

Year Ended June 30,	Principal	Interest	Total
2018	\$ 1,098,800	\$ 283,165	\$ 1,381,965
2019	1,122,206	246,058	1,368,264
2020	1,160,063	208,201	1,368,264
2021	1,199,848	168,416	1,368,264
2022	1,227,978	127,035	1,355,013
2023-2027	1,470,649	163,680	1,634,329
2028	91,118	1,433	92,551
	<u>\$ 7,370,662</u>	<u>\$ 1,197,988</u>	<u>\$ 8,568,650</u>

General Fund Debt

S&T Bank General Obligation Note, Series of 2015

The Series of 2015 General Obligation Note was issued on August 31, 2015 in the maximum par amount of \$3,250,000 for funding of Segment C of the Indiana Economic Development Project. The note is payable to S&T Bank through monthly interest payments during the drawdown and repayment period at 1.79%, reset to 1.75% on August 31, 2017. \$168,207 was drawn down on this note in 2017. The entire outstanding principal balance, together with all accrued and unpaid interest thereon will be due and payable to S&T Bank on August 31, 2018 (the "Maturity Date"). The outstanding balance at December 31, 2017 was \$0.

S&T Bank General Obligation Note, Series A of 2016

The Series A of 2016 General Obligation Note was issued on January 14, 2016 in the maximum par amount of \$146,000 for the purpose of funding costs associated with the acquisition and construction of repairs and improvements for the Indiana Economic Development Project. The note, bearing an interest rate of 2.70%, is payable to S&T Bank through six monthly interest payments during the draw-down period and 36 monthly principal and interest payments of \$4,229 each. \$7,248 was drawn down on this note in 2017. The note is secured by a pledge of Community Development Block Grant Funding. The Borough fully repaid this Note in 2017. Accordingly, the outstanding balance at December 31, 2017 was \$0.

Community First National Bank Police Car

The Borough entered into a three year financing agreement with Community First National Bank on January 21, 2015 for the purchase of a police car in the maximum amount of \$32,500 at an interest rate of 4.39%. The balance outstanding at December 31, 2017 was \$0.

Community First National Bank Police Car

The Borough entered into a three year financing agreement with Community First National Bank on June 1, 2016 for the purchase of a police vehicle and equipment in the maximum amount of \$39,397 at an interest rate of 4.39%. The balance outstanding at December 31, 2017 was \$13,124.

**Borough of Indiana**  
**Notes to Financial Statements**  
**December 31, 2017**

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, 2017 was \$823,349.

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, 2017 was \$1,346,721.

First Commonwealth General Obligation Note, Series of 2004

A general obligation note was issued in December 2004 in the amount of \$1,980,000 for the refinancing of the original \$2,400,000 parking garage debt issued in June 2000. The projected savings from this refinancing is \$180,277. The note was payable to First Commonwealth Bank in monthly installments of \$14,905, including interest at 4.20% through February 2020. However, the outstanding balance at December 31, 2016 was refinanced through the issuance of a new general obligation note, resulting in an outstanding balance at December 31, 2017 of \$0.

Sewer Fund Debt

First Commonwealth General Obligation Note, Series of 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, 2017) through June, 2023. The outstanding balance at December 31, 2017 was \$3,025,657.

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, 2017 was \$2,112,725.

JCB Finance Wheeled Loader

The Borough entered into a three year lease purchase agreement with JCB Finance in December 2017 for the purchase of a 2017 JCB model wheeled loader in the maximum amount of \$62,337. The terms for repayment are as follows: interest at 3.10% for a 48-month term with annual payments commencing December 2017 and maturing December 2021. The balance outstanding at December 31, 2017 was \$49,086.



**Borough of Indiana  
Notes to Financial Statements  
December 31, 2017**

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

**Note 7 – Interfund Transactions**

The following is a summary of interfund receivables and payables at December 31, 2017:

	<u>Receivables</u>	<u>Payables</u>
General Fund	\$1,934,868	\$ 207,057
Special Revenue Fund – Library	2,943	0
Special Revenue Fund – Fire Protection	4,114	0
Proprietary Fund – Sewer	200,000	5,176
Proprietary Fund – Parking	<u>0</u>	<u>1,929,692</u>
	<u>\$2,141,925</u>	<u>\$2,141,925</u>

The General Fund retains the delinquent tax collections on behalf of the Library, Fire Protection, and Street Light Funds. As such, these delinquent tax collections are due to the respective funds at year end.

Historically, the Parking Fund was subsidized by the General Fund and the interfund balance is the result of parking-related expenses paid by the General Fund in 2013 and prior years.

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. Further, \$5,176 due from Sewer to General Fund represents reimbursement of current year wages and benefits.

Interfund transfers during the year ended December 31, 2017 were as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 0	\$20,655
Capital Projects Fund	10,000	0
Special Revenue Fund – Shade Tree	<u>10,655</u>	<u>0</u>
	<u>\$20,655</u>	<u>\$20,655</u>

General Fund transferred \$10,655 to the Shade Tree Fund to contribute to project expenses and \$10,000 to the Capital Projects Fund to assist in subsidizing operating expenditures and maintain adequate cash balance.

**Borough of Indiana**  
**Notes to Financial Statements**  
**December 31, 2017**

**Note 8 – Operating Leases**

The Borough entered into a 63-month operating lease agreement with Pitney Bowes in June 2013 for the lease of a postage machine. The lease payments are \$282 per month, billed in quarterly installments of \$846. The Borough entered into a 60-month operating lease agreement with Ford Business Machines, Inc. in September 2015 for the lease of a wide plotter/scanner. The lease payments are \$160 per month. Future minimum lease payments are as follows:

<u>Year</u>	<u>Payment</u>
2018	\$4,174
2019	1,918
2020	<u>1,439</u>
	<u>\$7,531</u>

**Note 9 – 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. 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, 2017, 2016 and 2015 totaled \$444,702, \$436,303, and \$498,593, respectively.

**Borough of Indiana  
Notes to Financial Statements  
December 31, 2017**

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>1/1/2017</u>	<u>1/1/2017</u>	<u>1/1/2017</u>
	<u>Management</u>	<u>Non-Management</u>	<u>Uniformed</u>
Plan assets available at fair market value	<u>\$2,655,793</u>	<u>\$2,776,623</u>	<u>\$9,808,365</u>
Pension benefit obligation			
Active members	1,355,004	2,229,826	6,584,871
Non-active members	<u>1,615,815</u>	<u>535,350</u>	<u>3,335,475</u>
Total pension benefit obligation	<u>2,970,819</u>	<u>2,765,176</u>	<u>9,920,346</u>
Excess (unfunded) actuarial accrued liability	<u>\$ (315,026)</u>	<u>\$ 11,447</u>	<u>\$ (111,981)</u>
Funded ratio	89.4%	100.4%	98.9%
Covered payroll	\$438,042	\$1,090,542	\$1,810,957
UAAL as a percentage of payroll	71.9%	N/A	6.2%

Significant actuarial assumptions for the respective plans are as follows:

Interest rate	7.00%	7.00%	7.00%
Projected salary increase per year	4.00%	4.00%	5.00%

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.

**Note 10 – 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 11 – 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, 2017 and the two previous fiscal years, no settlements exceeded insurance coverage.

**Borough of Indiana**  
**Notes to Financial Statements**  
**December 31, 2017**

**Note 12 – Contingent Liabilities**

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 13 – Subsequent Event**

In January 2018, the Borough secured financing in the amount of \$2,400,000 to provide interim funding for the Indiana Borough Community Center Building renovation project. This financing arrangement is to be paid off using the Borough's proceeds from the RACP Grant and Keystone Recreation Park & Conservation Fund Grant. This interim funding bears a fixed interest rate of 3.43% for two years. At the end of two years, the rate will reset to 79% of the 30-day LIBOR + 200 bps, at a maximum rate of 7%. Repayment terms are interest only, with all unpaid principal and accrued interest due in full at maturity in January 2021.

**Borough of Indiana**  
**Combining Balance Sheet – Modified Cash Basis**  
**Major Fund: Special Revenue Funds**  
**December 31, 2017**

	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	\$ 164,276	\$ 20,801	\$ 12	\$ 1,546	\$ 5,097	\$ 118,859	\$ 0	\$ 310,591
Interfund receivables	<u>0</u>	<u>4,114</u>	<u>2,943</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7,057</u>
Total assets	<u>\$ 164,276</u>	<u>\$ 24,915</u>	<u>\$ 2,955</u>	<u>\$ 1,546</u>	<u>\$ 5,097</u>	<u>\$ 118,859</u>	<u>\$ 0</u>	<u>\$ 317,648</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>164,276</u>	<u>24,915</u>	<u>2,955</u>	<u>1,546</u>	<u>5,097</u>	<u>118,859</u>	<u>0</u>	<u>317,648</u>
Total fund balance	<u>164,276</u>	<u>24,915</u>	<u>2,955</u>	<u>1,546</u>	<u>5,097</u>	<u>118,859</u>	<u>0</u>	<u>317,648</u>
Total liabilities and fund balance	<u>\$ 164,276</u>	<u>\$ 24,915</u>	<u>\$ 2,955</u>	<u>\$ 1,546</u>	<u>\$ 5,097</u>	<u>\$ 118,859</u>	<u>\$ 0</u>	<u>\$ 317,648</u>

See accompanying notes to the basic financial statements.

**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, 2017**

	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	\$ 101,709	\$ 67,999	\$ 0	\$ 6,203	\$ 0	\$ 0	\$ 175,911
Interest earnings	1,535	155	38	5	26	357	0	2,116
Intergovernmental	368,262	51,447	0	0	0	0	0	419,709
Assessments	0	0	0	0	0	0	5,966	5,966
Total revenues	<u>369,797</u>	<u>153,311</u>	<u>68,037</u>	<u>5</u>	<u>6,229</u>	<u>357</u>	<u>5,966</u>	<u>603,702</u>
<b>Expenditures</b>								
Public safety	0	259,257	0	0	0	0	0	259,257
Public works - highways and streets	541,385	0	0	0	0	0	0	541,385
Culture and recreation	0	0	70,700	0	16,738	0	0	87,438
Community development	0	0	0	0	0	0	5,966	5,966
Total expenditures	<u>541,385</u>	<u>259,257</u>	<u>70,700</u>	<u>0</u>	<u>16,738</u>	<u>0</u>	<u>5,966</u>	<u>894,046</u>
Excess (deficiency) of revenues over expenditures	<u>(171,588)</u>	<u>(105,946)</u>	<u>(2,663)</u>	<u>5</u>	<u>(10,509)</u>	<u>357</u>	<u>0</u>	<u>(290,344)</u>
<b>Other Financing Sources (Uses)</b>								
Operating transfers	0	0	0	0	10,655	0	0	10,655
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>10,655</u>	<u>0</u>	<u>0</u>	<u>10,655</u>
Net change in fund balance	(171,588)	(105,946)	(2,663)	5	146	357	0	(279,689)
Fund balance - beginning of year, restated	<u>335,864</u>	<u>130,861</u>	<u>5,618</u>	<u>1,541</u>	<u>4,951</u>	<u>118,502</u>	<u>0</u>	<u>597,337</u>
Fund balance - end of year	<u>\$ 164,276</u>	<u>\$ 24,915</u>	<u>\$ 2,955</u>	<u>\$ 1,546</u>	<u>\$ 5,097</u>	<u>\$ 118,859</u>	<u>\$ 0</u>	<u>\$ 317,648</u>

See accompanying notes to the basic financial statements.

**Borough of Indiana**  
**Combining Balance Sheet – Modified Cash Basis**  
**Non-Major Fund: Capital Projects Funds**  
**December 31, 2017**

	Capital Projects	Capital Projects Police	Total Capital Projects Funds
<b>Assets</b>			
Cash	\$ 363	\$ 1,135	\$ 1,498
Total assets	\$ 363	\$ 1,135	\$ 1,498
<b>Liabilities and Fund Balance</b>			
<b>Liabilities</b>			
Total liabilities	\$ 0	\$ 0	\$ 0
<b>Fund Balance</b>			
Restricted	363	1,135	1,498
Total fund balance	363	1,135	1,498
Total liabilities and fund balance	\$ 363	\$ 1,135	\$ 1,498

See accompanying notes to the basic financial statements.

**Borough of Indiana**  
**Combining Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances – Modified Cash Basis**  
**Non-Major Fund: Capital Projects Funds**  
**For the Year Ended December 31, 2017**

	Capital Projects	Capital Projects Police	Total Capital Projects Funds
<b>Revenues</b>			
Intergovernmental	\$ 0	\$ 19,468	\$ 19,468
Interest	4	10	14
Private sector funding	<u>22,500</u>	<u>11,963</u>	<u>34,463</u>
 Total revenues	 <u>22,504</u>	 <u>31,441</u>	 <u>53,945</u>
 <b>Expenditures</b>			
Public safety	0	43,167	43,167
Community development	<u>146,177</u>	<u>0</u>	<u>146,177</u>
 Total expenditures	 <u>146,177</u>	 <u>43,167</u>	 <u>189,344</u>
 Excess (deficiency) of revenues over expenditures	 <u>(123,673)</u>	 <u>(11,726)</u>	 <u>(135,399)</u>
 <b>Other Financing Sources (Uses)</b>			
Operating transfers	<u>10,000</u>	<u>0</u>	<u>10,000</u>
 Total other financing sources (uses)	 <u>10,000</u>	 <u>0</u>	 <u>10,000</u>
 Net change in fund balance	 (113,673)	 (11,726)	 (125,399)
 Fund balance - beginning of year, restated	 <u>114,036</u>	 <u>12,861</u>	 <u>126,897</u>
 Fund balance - end of year	 <u>\$ 363</u>	 <u>\$ 1,135</u>	 <u>\$ 1,498</u>

See accompanying notes to the basic financial statements.



**Borough of Indiana**  
**Combining Statement of Net Position – Modified Cash Basis**  
**Proprietary Funds**  
**December 31, 2017**

	Sewer					Total
	Operating	Maintenance	Combined	Parking	Sanitation	Proprietary
<b>Assets</b>						
Cash and equivalents	\$ 784,486	\$ 631,202	\$ 1,415,688	\$ 39,986	\$ 531,590	\$ 1,987,264
Investments	1,307,719	0	1,307,719	0	0	1,307,719
Interfund receivables	<u>89,412</u>	<u>200,000</u>	<u>289,412</u>	<u>0</u>	<u>0</u>	<u>289,412</u>
Total assets	2,181,617	831,202	3,012,819	39,986	531,590	3,584,395
<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>\$ 2,181,617</u>	<u>\$ 831,202</u>	<u>\$ 3,012,819</u>	<u>\$ 39,986</u>	<u>\$ 531,590</u>	<u>\$ 3,584,395</u>
<b>Liabilities</b>						
Interfund payable	<u>\$ 0</u>	<u>\$ 94,588</u>	<u>\$ 94,588</u>	<u>\$ 1,929,692</u>	<u>\$ 0</u>	<u>\$ 2,024,280</u>
Total liabilities	<u>0</u>	<u>94,588</u>	<u>94,588</u>	<u>1,929,692</u>	<u>0</u>	<u>2,024,280</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>2,181,617</u>	<u>736,614</u>	<u>2,918,231</u>	<u>(1,889,706)</u>	<u>531,590</u>	<u>1,560,115</u>
Total net position	<u>2,181,617</u>	<u>736,614</u>	<u>2,918,231</u>	<u>(1,889,706)</u>	<u>531,590</u>	<u>1,560,115</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 2,181,617</u>	<u>\$ 831,202</u>	<u>\$ 3,012,819</u>	<u>\$ 39,986</u>	<u>\$ 531,590</u>	<u>\$ 3,584,395</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, 2017**

	Sewer			Parking	Sanitation	Total Proprietary
	Operating	Maintenance	Combined			
<b>Operating Revenues</b>						
Charges for services:						
Sewer	\$ 2,684,152	\$ 817,003	\$ 3,501,155	\$ 0	\$ 0	\$ 3,501,155
Sanitation	0	0	0	0	708,812	708,812
Parking	0	0	0	814,760	0	814,760
Total operating revenues	<u>2,684,152</u>	<u>817,003</u>	<u>3,501,155</u>	<u>814,760</u>	<u>708,812</u>	<u>5,024,727</u>
<b>Operating Expenses</b>						
Sewer	3,475,758	689,960	4,165,718	0	0	4,165,718
Sanitation	0	0	0	0	716,156	716,156
Parking	0	0	0	755,579	0	755,579
Total operating expenses	<u>3,475,758</u>	<u>689,960</u>	<u>4,165,718</u>	<u>755,579</u>	<u>716,156</u>	<u>5,637,453</u>
Operating income (loss)	<u>(791,606)</u>	<u>127,043</u>	<u>(664,563)</u>	<u>59,181</u>	<u>(7,344)</u>	<u>(612,726)</u>
<b>Non-Operating Revenues (Expenses)</b>						
Investment income	20,072	2,267	22,339	548	1,517	24,404
Proceeds from long-term debt	62,337	0	62,337	937,750	0	1,000,087
Proceeds from disposition of assets	7,600	0	7,600	0	0	7,600
Operating transfers	8,278	(8,278)	0	0	0	0
Capital grant	0	0	0	0	57,071	57,071
Debt Service:						
Principal	(869,057)	0	(869,057)	(699,268)	0	(1,568,325)
Interest	(188,148)	0	(188,148)	(93,242)	0	(281,390)
Total non-operating revenues (expenses)	<u>(958,918)</u>	<u>(6,011)</u>	<u>(964,929)</u>	<u>145,788</u>	<u>58,588</u>	<u>(760,553)</u>
Change in net position	(1,750,524)	121,032	(1,629,492)	204,969	51,244	(1,373,279)
Total net position - beginning, restated	<u>3,932,141</u>	<u>615,582</u>	<u>4,547,723</u>	<u>(2,094,675)</u>	<u>480,346</u>	<u>2,933,394</u>
Total net position - ending	<u>\$ 2,181,617</u>	<u>\$ 736,614</u>	<u>\$ 2,918,231</u>	<u>\$ (1,889,706)</u>	<u>\$ 531,590</u>	<u>\$ 1,560,115</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, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 3,617,598	\$ 3,617,598	\$ 3,516,465	\$ (101,133)
Intergovernmental revenues	540,845	540,845	2,653,169	2,112,324
Charges for services	1,363,032	1,363,032	1,258,297	(104,735)
Fines and forfeitures	190,000	190,000	157,221	(32,779)
Licenses and permits	128,100	128,100	154,456	26,356
Interest, rents and royalties	600	600	2,153	1,553
Proceeds from debt	500,000	500,000	675,455	175,455
Private sector funding	0	0	108	108
Miscellaneous	<u>10,000</u>	<u>10,000</u>	<u>3,684</u>	<u>(6,316)</u>
 Total revenues	 <u>6,350,175</u>	 <u>6,350,175</u>	 <u>8,421,008</u>	 <u>2,070,833</u>
<b>Expenditures</b>				
General government	621,074	621,074	651,838	(30,764)
Public safety	3,301,414	3,301,414	3,152,583	148,831
Public works:				
Highways, roads and streets	932,167	932,167	842,372	89,795
Other public works	31,500	31,500	8,490	23,010
Culture and recreation	70,893	70,893	150,201	(79,308)
Community development	6,600	6,600	225,193	(218,593)
Debt service principal	500,000	500,000	2,595,320	(2,095,320)
Debt service interest	5,000	5,000	27,492	(22,492)
Operating transfers	10,655	10,655	20,655	(10,000)
Benefits	723,990	723,990	672,471	51,519
Insurance	<u>98,757</u>	<u>98,757</u>	<u>57,602</u>	<u>41,155</u>
 Total expenditures	 <u>6,302,050</u>	 <u>6,302,050</u>	 <u>8,404,217</u>	 <u>(2,102,167)</u>
 Excess (deficiency) of revenues over expenditures	 <u>\$ 48,125</u>	 <u>\$ 48,125</u>	 16,791	 <u>\$ (31,334)</u>
 Fund balance - beginning of year, restated			 <u>1,932,854</u>	
 Fund balance - end of year			 <u>\$ 1,949,645</u>	

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 as of and for the year ended December 31, 2017 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 28, 2018.

**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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified a deficiency in internal control that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness (#2017-001).

### **Compliance and Other Matters**

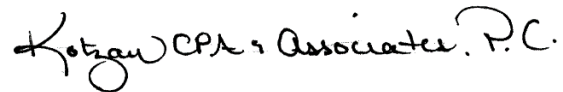
As part of obtaining reasonable assurance about whether the Borough of Indiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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*.

### **Borough of Indiana's Response to Findings**

The Borough of Indiana's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Borough of Indiana's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

### **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 28, 2018

**Borough of Indiana**  
**Schedule of Findings and Responses**  
**Year Ended December 31, 2017**

**Section I – Summary of Auditors’ Results**

Financial Statements

Type of auditors’ report issued: *unmodified*

Internal control over financial reporting:

Material weakness (es) identified?   X   Yes        No

Significant deficiency (ies) identified  
not considered to be material weaknesses?        Yes   X   None reported

Noncompliance material to financial statements noted?        Yes   X   No

**Section II – Financial Statement Findings**

*INTERNAL CONTROL OVER FINANCIAL REPORTING*

**Finding #2017-001**

CONDITION:

Audit adjustments that were material to the financial statements were required in order for the financial statements to be fairly presented in accordance with the modified cash basis of accounting.

CRITERIA:

In accordance with *Statement on Auditing Standards No. 115 (SAS 115)*, an indicator of a material weakness is when the auditor identifies a material misstatement in the financial statements that was not detected by the entity’s internal control.

CAUSE:

The misstatements resulted from the failure to properly record certain interfund transactions, as well as activity related to the receipt of debt proceeds and the maturity of certificates of deposit.

EFFECT:

The effect of this deficiency was materially misstated interfund balances, current assets, and revenues/expenditures related to interfund transfers.

RECOMMENDATION:

We recommend that management adjust the general ledger for the proposed audit adjustments. Further, we recommend that Borough finance personnel obtain guidance on the proper reporting of interfund loans and transfers, proceeds for loans, and maturity of certificates of deposit as these transactions arise throughout the year.

**Borough of Indiana**  
**Schedule of Findings and Responses**  
**Year Ended December 31, 2017**

MANAGEMENT RESPONSE:

Management has made the proposed audit adjustments effective December 31, 2017. Further, management will ensure that accounting personnel obtain guidance from the auditor on the proper reporting of interfund activity, maturity of investments, and debt-related activity as these situations arise.