

COUNTY OF BEAVER, PENNSYLVANIA

FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

December 31, 2013

COUNTY OF BEAVER, PENNSYLVANIA

**FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

DECEMBER 31, 2013

TABLE OF CONTENTS

	<u>Page(s)</u>
Report of Independent Certified Public Accountants	5-7
Management's Discussion and Analysis	9-20
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	22
Statement of Activities	23
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	24
Reconciliation of Governmental Fund Balances to the Statement of Net Position.....	25
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	26
Reconciliation of the Statement of Revenues, Expenditures, and Changes In Fund Balances of Governmental Funds to the Statement of Activities	27
Statement of Net Position – Proprietary Funds.....	28
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds	29
Statement of Cash Flows – Proprietary Funds.....	30
Statement of Fiduciary Net Position – Fiduciary Funds.....	31
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	32
Notes to Basic Financial Statements.....	33-100
Required Supplemental Information:	
Schedule of Funding Progress – Pension Trust Fund.....	102
Schedule of Employer Contributions – Pension Trust Fund	103
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	104
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Mental Health / Intellectual Disabilities.....	105
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Children and Youth	106
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Community Development	107
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – HealthChoices	108
Notes to Required Supplemental Information	109

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**FINANCIAL STATEMENTS AND REPORT OF
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DECEMBER 31, 2013

**TABLE OF CONTENTS
(Continued)**

	<u>Page(s)</u>
Other Supplemental Information:	
Combining Balance Sheet – Non-major Governmental Funds	110-111
Combining Statement of Revenues, Expenditures, and Changes In Fund Balance – Non-major Governmental Funds	112-113
Combining Statement of Changes in Assets and Liabilities – Agency Funds.....	114-115
Schedule of Expenditures of Federal Awards	117-125
Notes to Schedule of Expenditures of Federal Awards	126
Report of “Agreed – Upon Procedures” for Fiscal Year	
Financial Schedules and Exhibits	127-128
Pennsylvania Department of Welfare’s Financial Schedules and Exhibits	129-135
Other Reports of Independent Certified Public Accountants	136-140
Schedule of Findings and Questioned Costs	141-142

The Board of County Commissioners
and the Beaver County Controller
County of Beaver
Beaver, Pennsylvania

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Beaver, Pennsylvania (the County), as of and for the year ended December 31, 2013 (with the aggregate discretely presented component units as of and for the year ended June 30, 2013), and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Beaver County Transit Authority (BCTA) and the Community College of Beaver County (CCBC) as of and for the year ended June 30, 2013, which represent 100 percent of the assets, net position, and revenues of the discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for BCTA and CCBC is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of December 31, 2013 (with the aggregate discretely presented component units as of June 30, 2013), and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress pension trust fund, schedule of employer contributions pension trust fund, and budgetary comparison information, as listed in the table of contents as required supplemental information, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards and the Pennsylvania Department of Public Welfare's financial schedules and exhibits as listed in the table of contents are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, Non-Profit Organizations*, and the *Pennsylvania Department of Public Welfare Single Audit Supplement*, respectively, and are also not a required part of the basic financial statements.

The combining and individual non-major fund financial statements, the schedule of expenditures of federal awards, and the Pennsylvania Department of Public Welfare's financial schedules and exhibits are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, and the procedures performed as described above, the combining and individual non-major fund financial statements, the schedule of expenditures of federal awards, and the Pennsylvania Department of Public Welfare's financial schedules and exhibits are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2014, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

The Binkley Kanavy Group, LLC

Certified Public Accountants
Pittsburgh, Pennsylvania
September 26, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the County of Beaver (the County), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2013. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

Financial Highlights of the Year Ended December 31, 2013

- The County's long-term care facility -Friendship Ridge- was sold to a private entity in 2014. A group of investors advanced \$8 million for this sale in 2013 and paid close to \$25 million on March 28, 2014, to transfer the assets and operations of Friendship Ridge. The \$8 million advance was recorded as unearned revenue on both the statement of net position and the balance sheet at December 31, 2013. Additional information about this sale can be found in Note N to the financial statements.
- The Pension Trust Fund experienced a positive rate of return on investments for a fifth consecutive year. The fund's net position increased by approximately \$46.7 million due primarily to a 21.4% rate of return on investments.
- The General Fund incurred a financial match responsibility of approximately \$3.1 million for its human and community services funded primarily through state and federal grants and entitlements. The equivalent amount for 2012 was about \$3.0 million.
- The County issued a \$10 million Tax Revenue Anticipation Note on January 2, 2013, to provide for short-term financing needs. This note was repaid prior to December 31, 2013.
- The County's overall long-term debt was reduced by about \$3.1 million during the year. This marks the fourth successive year of reductions in long-term debt. Also in 2013, an advance refunding of a bond issue took place that generated a cash outflow reduction of close to \$436,000 over the life of the new debt issue and an approximate \$411,000 restricted fund balance for capital asset acquisition, repair, and construction.
- Budget cuts from federal and state funding sources have continued to challenge the County's human services and economic development functions. Despite these financial constraints, service objectives have been met in 2013 and management foresees that they will continue to be met.
- The HealthChoices program continues to grow its funding available to aid the population it serves. At the end of 2013, total fund balance amounted to over \$11.6 million.
- Friendship Ridge had to resort to short-term loans from the General Fund and Tax Claim to meet all of its financial obligations by December 31, 2013. The loan from Tax Claim was repaid shortly into the New Year.
- Beaver County has increased its collections derived from fees related to natural gas and oil drilling operations. Revenues recorded in 2013 exceeded \$770,000.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Financial Statements

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

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents financial information on the entire County's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *Statement of Activities* presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County are general government; judicial; public safety; public works and enterprise; culture, recreation and conservation; human services; and economic development. Friendship Ridge is the County's only current business-type activity.

The government-wide financial statements include not only the County itself (known as the *primary government*), but also two legally separate entities, the Beaver County Transit Authority and the Community College of Beaver County, for which the County provides subsidies and appoints their boards. Financial information for these *component units* are reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 39-40 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Immediately following both the governmental funds' Balance Sheet and the governmental funds' Statement of Revenues, Expenditures, and Changes in Fund Balances, is a statement that provides a reconciliation to facilitate a comparison between *governmental funds* and *governmental activities*.

The County maintains twenty individual governmental funds, one of which closed during 2013 due to the merger of Child Care Information Services with another county's government. Information is presented separately in the governmental funds' Balance Sheet and in the governmental funds' Statement of Revenues, Expenditures, and Changes in Fund Balance for the General Fund, Mental Health / Intellectual Disabilities, Children & Youth, Community Development, and the HealthChoices Fund, all of which are considered to be major funds. Data from the other fifteen governmental funds are combined into a single aggregate presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining schedules. The County adopts an annual appropriated budget for each of its governmental funds.

The basic governmental funds' financial statements can be found on pages 41-44 of this report. The combining and individual fund schedules for the non-major governmental funds are presented following the required supplementary information. They can be found on pages 148-151 of this report.

Proprietary funds. The County maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses an enterprise fund to account for the transactions and balances of Friendship Ridge. *Internal service funds* are used to accumulate and allocate costs internally among the County's various functions.

The County uses Internal Service Funds to account for the medical benefits of the County's employees and to account for workers' compensation costs. Because this service predominantly benefits governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as is presented on the government-wide financial statements, only in more detail. The proprietary funds' financial statements provide separate information for Friendship Ridge, which is considered to be a major fund. The proprietary funds' financial statements also provide separate information for the County's Internal Service Funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The basic proprietary funds' financial statements can be found on pages 45-47 of this report. The combining financial statements for the internal service funds can be found on pages 167-169 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the reporting government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 48-49 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 50-117 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's progress in funding its obligation to provide pension benefits to its employees and budgetary comparison schedules for the General Fund and other major governmental funds. Required supplementary information can be found on pages 119-126 of this report.

Government-wide Financial Analysis

This analysis focuses on the *primary government*, as defined on page 27. Separate financial statements for the County's component units, including their managements' discussion and analysis, can be obtained from the component units at the addresses disclosed in Note A.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Analysis of Net Position

As noted earlier, net position is a useful indicator of a government's financial position. For the County's governmental activities, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$29,146,510 at December 31, 2013 and assets exceed liabilities and deferred inflows of resources by \$24,821,076 at December 31, 2012.

The following is a summary of the County's Statement of Net Position (in thousands) as of December 31, 2013 and 2012:

	Governmental Activities		Business-type Activities		Totals	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Assets:						
Current and Other Assets	\$ 65,050	\$ 58,548	\$ 10,439	\$ 14,587	\$ 75,489	\$ 73,135
Capital Assets	116,484	113,754	13,594	15,100	130,078	128,854
Total Assets	181,534	172,302	24,033	29,687	205,567	201,989
Total Deferred Outflows of Resources						
	797	116	149	-	946	116
Liabilities:						
Long-Term Liabilities	\$ 117,479	\$ 119,691	\$ 16,367	\$ 17,350	\$ 133,846	\$ 137,041
Other Liabilities	35,706	27,906	5,857	6,257	41,563	34,163
Total Liabilities	153,185	147,597	22,224	23,607	175,409	171,204
Net Position:						
Net Investment in Capital Assets	21,120	23,189	7,272	7,779	28,392	30,968
Restricted	17,268	14,026	-	-	17,268	14,026
Unrestricted	(9,242)	(12,394)	(5,313)	(1,699)	(14,555)	(14,093)
Total Net Position	\$ 29,146	\$ 24,821	\$ 1,959	\$ 6,080	\$ 31,105	\$ 30,901

A significant portion of the County's net position is largely restricted for programs of public works and human services.

MANAGEMENT'S DISCUSSION AND ANALYSIS

County of Beaver's Statement of Activities (in thousands)

The following summarizes the County's Statement of Activities for the years ended December 31, 2013 and 2012:

	Governmental Activities		Business-type Activities		Totals	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Program Revenues:						
Fees and Charges	\$ 14,017	\$ 12,949	\$ 49,001	\$ 52,732	\$ 63,018	\$ 65,681
Operating Grants and Contributions	93,093	107,126	-	-	93,093	107,126
General Revenues:						
Real Estate Taxes	47,930	48,529	-	-	47,930	48,529
Investment Income/(Loss)	37	61	-	-	37	61
Disposal of Fixed Assets	-	(27)	-	-	-	(27)
Other Income/(Loss)	-	114	16	21	16	135
Total Revenues	155,077	168,752	49,017	52,753	204,094	221,505
Program Expenses:						
General Government	14,171	11,751	-	-	14,171	11,751
Judicial	16,258	15,555	-	-	16,258	15,555
Public Safety	19,497	19,455	-	-	19,497	19,455
Public Works and Enterprises	5,073	5,183	-	-	5,073	5,183
Culture and Recreation	3,340	3,399	-	-	3,340	3,399
Human Services	80,248	87,637	-	-	80,248	87,637
Economic Development	5,934	7,613	-	-	5,934	7,613
Interest Expense	5,613	5,770	-	-	5,613	5,770
Friendship Ridge	-	-	53,756	56,197	53,756	56,197
Total Expenses	150,134	156,363	53,756	56,197	203,890	212,560
Excess (Deficiency) Before Other Items and Transfers						
	4,943	12,389	(4,739)	(3,444)	204	8,945
Transfers	(618)	(612)	618	612	-	-
Change in Net Position	4,325	11,777	(4,121)	(2,832)	204	8,945
Net Position - Beginning	24,821	13,044	6,080	8,912	30,901	21,956
Net Position - Ending	\$ 29,146	\$ 24,821	\$ 1,959	\$ 6,080	\$ 31,105	\$ 30,901

MANAGEMENT'S DISCUSSION AND ANALYSIS

Changes in Net Position

The County's net position for governmental activities increased approximately \$4.3 million and \$11.8 million for the years ended December 31, 2013 and 2012, respectively.

The County's net position for business-type activities decreased approximately \$4.1 million and \$2.8 million for the years ended December 31, 2013 and 2012, respectively.

The County's expenses for governmental and business-type activities cover a wide range of services. The largest share of expenses continues to be incurred for Human Services and for Friendship Ridge.

Analysis of Changes in Net Position

The County's total net position increased approximately \$200,000 and \$8.9 million for the years ended December 31, 2013 and 2012, respectively. The current year's increase is explained in the governmental and business-type activities discussion below.

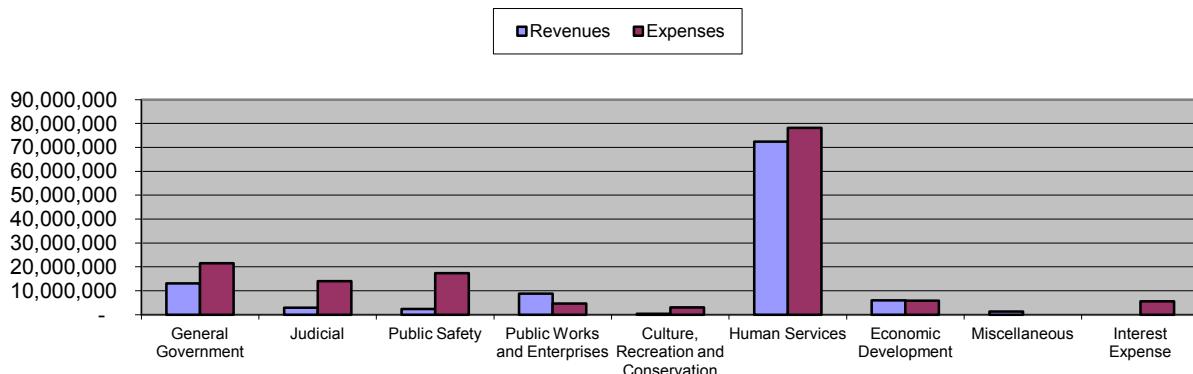
Governmental Activities

The governmental activities increased the County's net position by about \$4.3 million. The primary reason for this increase can be attributed to capital construction, mostly for the Veterans' Memorial Bridge, which opened to the public in May 2014. Another contribution to the County's increase in net position came from the Economic Development function, primarily through streamlined and improved programs in all of its areas. Lower interest costs as a result of both a lower average outstanding debt balance and lower interest rates due to a bond defeasance also contributed to improving net position. On the other hand, some activities fared worse in 2013 than in 2012 and contributed deficits to net position. General Government, Public Safety, Judicial, and Human Services all suffered from both revenue reductions (or stagnations at best) and expense increases triggered primarily by scheduled escalations in compensation as stipulated by collective bargaining agreements. Also, continued cuts in grant funding caused the County's local match share to increase slightly as compared to 2012 in order to maintain service levels of certain programs. Charges for medical and workers' compensation claims fell well short of the cost of these claims. This too contributed to a deterioration of net position during 2013. Finally, miscellaneous governmental revenues decreased primarily due to reductions of administrative services at Mental Health / Individual Disabilities, lessened activity at Tax Claim, and reduced outside services provided by the Public Safety function.

The table below depicts the behavior of the various governmental functions' revenues and expenses described above:

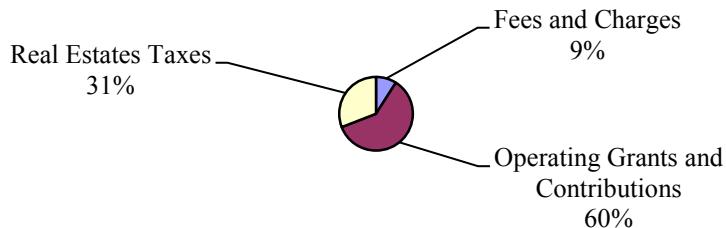
MANAGEMENT'S DISCUSSION AND ANALYSIS

Expenses and Program Revenue - Governmental Activities



The revenue mix of the County's governmental activities remained fairly constant when compared with 2012. Approximately 60% of the County's revenue came from grants and contributions, 9% for fees and charges, and 31% from taxes on real estate during 2013. The corresponding figures for 2012 were roughly 63%, 8%, and 29%, respectively.

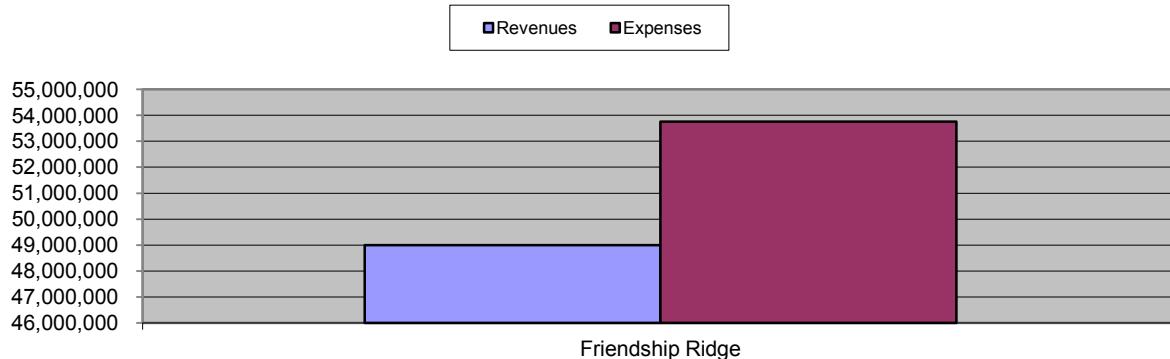
Revenues by Source - Governmental Activities



Business-type Activities

Net position for business-type activities decreased approximately \$4.1 million. The occupancy rate at Friendship Ridge declined significantly throughout 2013 due to changing socio-economic factors beyond the County's control. Cost reductions implemented at this facility did not keep pace with the declining revenue.

Expenses and Program Revenues - Business-type Activities



MANAGEMENT'S DISCUSSION AND ANALYSIS

The revenue mix of the County's business-type activities is almost entirely derived from fees and charges for both the years 2013 and 2012. Almost negligible are interest income and general public contributions, which make up the remaining revenues.

Financial Analysis of the County's Individual Funds

Governmental Funds

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

At December 31, 2013, the County's governmental funds reported a combined ending fund balance of \$15,455,599, which represents an increase of \$340,588 in comparison to the previous year. The ending fund balance is segregated into the following categories with its corresponding balances: non-spendable for prepaid items, \$2,562,350; restricted, \$15,720,699; committed, \$1,416,877; assigned, \$127,511; and unassigned, \$(4,371,838). The terms used to classify fund balance and their significance are further described and defined in Note A to the financial statements. Also in Note A is presented a breakdown of restricted fund balance into specific programs.

The overall increase in fund balance of the governmental funds is attributed primarily to activity within the non-major funds. Liquid Fuels recognized current revenues related to capital outlay for the Veterans' Memorial Bridge incurred in 2012. The Capital Bond fund recorded revenues in excess of \$400,000 from the issuance of a refunding bond issue (see Note J to the financial statements) without any associated expenditures. Another capital projects fund, the Capital Reserve fund, contributed to the increase in net position as well by means of so-called "impact fees" from oil and gas drilling activities with few associated expenditures.

The General Fund's analysis of significant balances and transactions is explained mostly under "governmental activities" above. Increased total debt service also contributed to the General Fund's deficit.

The Mental Health / Intellectual Disabilities fund experienced a reduction of its discretionary revenues and had lesser opportunities to provide billable administrative services than in 2012. This caused a slight deficit of revenues over expenditures.

A similar situation was encountered by the Children & Youth fund, with the exception of somewhat higher local revenue matches (classified as "transfers" on the statement of revenues, expenditures, and changes in fund balance) than those of 2012. Through vigilant management of expenditures however, the fund was able to improve its fund balance.

Community Development continued to face intergovernmental funding cuts in 2013. As did Children & Youth and many other areas of the County, it was able to curtail expenditures in pace with the revenue shortcomings without affecting services and managing to increase fund balance.

MANAGEMENT'S DISCUSSION AND ANALYSIS

HealthChoices continued with its prudent cost containment strategies that have worked so well since the fund's inception. This enabled it to once again substantially raise its fund balance.

Proprietary Funds

The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Please refer to the *Analysis of Changes in Net Position* for business-type activities for a discussion of Friendship Ridge as well as for governmental activities to better understand the current year's participation of the internal service funds.

Fiduciary Funds

The County maintains fiduciary funds for the Pension Trust Fund and several Agency Funds. The Pension Trust Fund's net position increased approximately \$46.7 million in 2013 and increased nearly \$23.7 million in 2012. The substantial increase of the Pension Trust Fund's net position is due primarily to significant appreciation in the fair value of investments.

General Fund Budgetary Highlights

During any given year there are many factors that may change a budget from the *original* approved version to the *final* ending version. There may be changes in policies, revenue sources or unexpected events that have a financial impact upon the County and require that the budget be adjusted to reflect those circumstances.

The General Fund's budgeted revenues were decreased nearly \$0.4 million from the original budget primarily due to higher initial expectations for intergovernmental revenue and departmental earnings. As the Commonwealth of Pennsylvania's annual budget was approved mid-year, it was evident then that the expectation of increased revenues would not be realized and actual results fell even lower than the revised revenue budget. Budgeted expenditures were decreased approximately \$0.5 million to accommodate the reality of revenue cuts at higher governmental levels. Budget amendments affecting expenditures are often applied copiously to avoid potential subsequent amendments with procedural delays as a consequence. This explains why actual expenditure results of the General Fund were significantly lower than the final amended budget in the functions of General Government, Judicial, Public Safety, and Human Services.

In light of recent financial pressures, the County has once again publicly ratified its fiscal judiciousness by establishing strict budgetary restrictions within each department. Departmental reductions and managerial mergers are examples of actions taken in 2013 to constrain financial resources.

MANAGEMENT'S DISCUSSION AND ANALYSIS

County of Beaver's Capital Assets
(in thousands and net of accumulated depreciation)

What follows is a summary of the County's capital assets as of December 31, 2013 and 2012:

	Governmental Activities		Business-type Activities		Totals	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Assets not Being Depreciated	\$ 28,950	\$ 22,228	\$ 222	\$ 216	\$ 29,172	\$ 22,444
Buildings and Improvements	54,132	56,209	6,196	6,649	60,328	62,858
Vehicles	1,469	1,171	-	-	1,469	1,171
Furniture and Equipment	6,882	7,974	7,175	8,234	14,057	16,208
Infrastructure	<u>25,050</u>	<u>26,172</u>	<u>-</u>	<u>-</u>	<u>25,050</u>	<u>26,172</u>
Total	\$ 116,484	\$ 113,754	\$ 13,593	\$ 15,100	\$ 130,077	\$ 128,854

Additional information on the County's capital assets can be found in Note F on pages 78-82 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Outstanding Debt at Year End

The following is a summary of the County's outstanding long-term debt as of December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Governmental Activities:		
General obligation debt	\$ 63,594,212	\$ 71,635,989
Other long-term debt	55,023,233	49,312,602
Discount	<u>(1,138,589)</u>	<u>(1,257,411)</u>
	117,478,856	119,691,180
Business-type Activities:		
General obligation debt	3,300,788	7,116,488
Other long-term debt	13,094,900	10,283,279
Discount	<u>(272,369)</u>	<u>(365,957)</u>
	16,123,319	17,033,810

The County's general obligation bond rating from Standard and Poor's for its most recent issue is 'A'. Most other issues carry a rating of 'A' or 'AA-'. More detailed information about the County's long-term liabilities can be found in Note J on pages 91-109 of this report.

Economic Factors

In light of the ongoing budgetary cuts at the state and federal levels and the expiration of special grants, the County was able to reduce its total outstanding debt by \$3.1 million without increasing taxes. Budget cuts affecting the federal and the Commonwealth's governments are likely to continue affecting various departments and programs throughout the County with further cuts into 2014. The County's management is addressing these financial challenges with the planned disposal of deficient assets and the restructuring of its governmental organization. As disclosed in the *Financial Highlights of the Year Ended December 31, 2013*, the County has already disposed of Friendship Ridge, a facility that required increasing subsidies from local County revenues.

Requests for Information

This financial report is designed to provide a general overview of the County's finances for all those with an interest in them. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Office of the Controller
Beaver County Courthouse
810 Third Street
Beaver, Pennsylvania 15009-2196

BASIC FINANCIAL STATEMENTS

COUNTY OF BEAVER, PENNSYLVANIA

STATEMENT OF NET POSITION

DECEMBER 31, 2013 or JUNE 30, 2013

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Beaver County Transit Authority as of June 30, 2013	Community College of Beaver County as of June 30, 2013
Assets					
Current Assets:					
Cash and Cash Equivalents	\$ 23,250,036	\$ 1,336,501	\$ 24,586,537	\$ 3,589,660	\$ 1,752,767
Restricted Cash	8,079,653	-	8,079,653	-	-
Investments	-	-	-	-	611,685
Receivables	11,458,390	9,416,383	20,874,773	5,356,424	1,665,108
Internal Balances	6,073,129	(6,073,129)	-	-	-
Supplies	-	201,979	201,979	276,011	34,891
Prepaid Expenses	2,562,350	40,299	2,602,649	238,771	433,574
Other Assets	-	598,761	598,761	-	-
Total Current Assets	51,423,558	5,520,794	56,944,352	9,460,866	4,498,025
Non-Current Assets:					
Land	1,757,554	42,075	1,799,629	3,573,967	952,288
Buildings and Improvements	86,546,830	16,128,460	102,675,290	16,609,357	46,599,865
Construction in Progress	27,192,538	180,257	27,372,795	856,845	-
Vehicles	4,273,618	-	4,273,618	11,251,132	251,942
Furniture and Equipment	22,464,952	34,209,408	56,674,360	1,630,897	11,850,910
Infrastructure	37,066,015	-	37,066,015	-	-
Accumulated Depreciation	(62,817,351)	(36,966,279)	(99,783,630)	(16,430,602)	(24,766,861)
Net Pension Asset	13,626,647	4,918,688	18,545,335	-	-
Other	-	-	-	-	1,021,139
Total Non-Current Assets	130,110,803	18,512,609	148,623,412	17,491,596	35,909,283
Total Assets	181,534,361	24,033,403	205,567,764	26,952,462	40,407,308
Deferred Outflows of Resources					
Deferred Charge on Refunding Debt	797,431	149,333	946,764	-	-
Liabilities					
Current Liabilities:					
Accounts Payable	12,428,548	2,369,838	14,798,386	191,646	452,165
Accrued Vacation	2,754,989	742,602	3,497,591	-	20,000
Accrued Interest	2,404,932	112,745	2,517,677	-	98,379
Accrued Other Liabilities	3,592,080	1,987,993	5,580,073	243,186	1,575,527
Unearned Revenues	11,606,152	51,414	11,657,566	7,784,353	493,999
Accrued Other Employee Benefits	669,894	592,206	1,262,100	95,329	9,000
Accrued HealthChoices Program Costs	2,249,833	-	2,249,833	-	-
Long-Term Debt - Due within One Year	4,903,807	444,408	5,348,215	-	1,533,630
Total Current Liabilities	40,610,235	6,301,206	46,911,441	8,314,514	4,182,700
Non-Current Liabilities:					
Resident Funds	-	243,278	243,278	-	-
Long-Term Debt	112,575,047	15,678,911	128,253,958	-	27,345,029
Total Non-Current Liabilities	112,575,047	15,922,189	128,497,236	-	27,345,029
Total Liabilities	153,185,282	22,223,395	175,408,677	8,314,514	31,527,729
Net Position					
Net Investment in Capital Assets	21,119,653	7,272,237	28,391,890	17,491,596	6,998,169
Restricted for:					
Nonexpendable	-	-	-	-	248,461
Programs for Mental / Behavioral Health	9,365,352	-	9,365,352	-	-
Programs for Children & Youth	2,314,429	-	2,314,429	-	-
Programs for Community Development	224,345	-	224,345	-	-
Programs for Capital Projects	2,856,064	-	2,856,064	-	-
Programs for General Law Enforcement	1,071,956	-	1,071,956	-	-
Programs for Elderly Population	573,321	-	573,321	-	-
Programs for Office Improvements	496,415	-	496,415	-	-
Programs for Emergency Services / Tourism	366,591	-	366,591	-	-
Unrestricted	(9,241,616)	(5,312,896)	(14,554,512)	1,146,352	1,632,949
Total Net Position	\$ 29,146,510	\$ 1,959,341	\$ 31,105,851	\$ 18,637,948	\$ 8,879,579

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

COUNTY OF BEAVER, PENNSYLVANIA

STATEMENT OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2013 or JUNE 30, 2013

Functions/Programs	Expenses							Net (Expenses) Revenues and Change in Net Position					
		Program Revenues			Primary Government			Component Units					
		Fees and Charges	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Beaver County Transit Authority as of June 30, 2013	Community College of Beaver County as of June 30, 2013				
Primary Government:													
Governmental Activities:													
General Government	\$ 14,170,624	\$ 9,410,109	\$ 3,678,588	\$ -	\$ (1,081,927)	\$ -	\$ (1,081,927)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Judicial	16,258,018	815,176	2,025,649	-	(13,417,193)	-	(13,417,193)	-	-	-	-	-	-
Public Safety	19,497,132	557,855	1,794,969	-	(17,144,308)	-	(17,144,308)	-	-	-	-	-	-
Public Works and Enterprises	5,072,959	21,581	8,761,742	-	3,710,364	-	3,710,364	-	-	-	-	-	-
Culture, Recreation and Conservation	3,340,078	288,309	-	-	(3,051,769)	-	(3,051,769)	-	-	-	-	-	-
Human Services	80,247,950	1,316,133	71,140,290	-	(7,791,527)	-	(7,791,527)	-	-	-	-	-	-
Economic Development	5,934,034	322,717	5,692,169	-	80,852	-	80,852	-	-	-	-	-	-
Miscellaneous	-	1,284,716	-	-	1,284,716	-	1,284,716	-	-	-	-	-	-
Interest Expense	5,612,832	-	-	-	(5,612,832)	-	(5,612,832)	-	-	-	-	-	-
Total Governmental Activities	<u>150,133,627</u>	<u>14,016,596</u>	<u>93,093,407</u>	<u>-</u>	<u>(43,023,624)</u>	<u>-</u>	<u>(43,023,624)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Business-type Activities:													
Friendship Ridge	53,755,637	49,001,164	-	-	-	(4,754,473)	(4,754,473)	-	-	-	-	-	-
Total Business-type Activities	<u>53,755,637</u>	<u>49,001,164</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,754,473)</u>	<u>(4,754,473)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Primary Government	\$ 203,889,264	\$ 63,017,760	\$ 93,093,407	\$ -	\$ (43,023,624)	\$ (4,754,473)	\$ (47,778,097)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Component Units:													
Beaver County Transit Authority	\$ 10,470,424	\$ 1,551,899	\$ 7,415,235	\$ 1,216,151	\$ -	\$ -	\$ -	\$ (287,139)	\$ -	-	-	-	-
Community College of Beaver County	27,329,854	11,695,065	16,445,041	-	-	-	-	-	-	-	-	-	810,252
Total Component Units	\$ 37,800,278	\$ 13,246,964	\$ 23,860,276	\$ 1,216,151	\$ -	\$ -	\$ -	\$ (287,139)	\$ 810,252	-	-	-	-
General Revenues:													
Real Estate Taxes			\$ 47,930,067	\$ -	\$ -	\$ 47,930,067	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investment Income			36,541		169	36,710							72,687
Other Income			-		16,042	16,042							-
Transfers			(617,550)		617,550	-	-	-	-	-	-	-	-
Total General Revenues and Transfers			<u>47,349,058</u>		<u>633,761</u>	<u>47,982,819</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>72,687</u>
Change in Net Position			4,325,434		(4,120,712)		204,722		(287,139)				882,939
Net Position - Beginning			24,821,076		6,080,053		30,901,129		18,925,087				7,996,640
Net Position - Ending			<u>\$ 29,146,510</u>		<u>\$ 1,959,341</u>		<u>\$ 31,105,851</u>		<u>\$ 18,637,948</u>				<u>\$ 8,879,579</u>

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

COUNTY OF BEAVER, PENNSYLVANIA

**BALANCE SHEET
GOVERNMENTAL FUNDS**

	DECEMBER 31, 2013						Other Governmental Funds	Total Governmental Funds
	General	Mental Health/ Intellectual Disabilities	Children & Youth	Community Development	HealthChoices			
Assets								
Cash and Cash Equivalents	\$ 3,033,186	\$ 1,786,215	\$ 1,322,337	\$ 1,554,022	\$ 7,511,544	\$ 7,924,208	\$ 23,131,512	
Cash - Restricted	-	-	-	-	8,079,653	-	8,079,653	
Prepaid Other	202,816	91,500	-	-	2,268,034	-	2,562,350	
Receivables	453,328	984,717	1,414,374	546,919	611,428	2,693,424	6,704,190	
Interfund Receivable	7,101,562	434,380	1,443,298	-	-	665,737	9,644,977	
Total Assets	\$ 10,790,892	\$ 3,296,812	\$ 4,180,009	\$ 2,100,941	\$ 18,470,659	\$ 11,283,369	\$ 50,122,682	
Liabilities:								
Accounts Payable	\$ 1,360,156	\$ 2,314,205	\$ 897,289	\$ 555,168	\$ 4,099,701	\$ 2,295,366	\$ 11,521,885	
Interfund Payable	2,557,422	-	-	248,482	194	1,181,808	3,987,906	
Accrued Wages and Payroll Costs	2,382,027	96,869	92,883	12,290	12,793	101,774	2,698,636	
Accrued Other Liabilities	126,677	-	-	-	493,800	272,967	893,444	
Accrued HealthChoices Program Costs	-	-	-	-	2,249,833	-	2,249,833	
Unearned Revenue	8,023,750	847,040	875,408	1,060,656	-	799,298	11,606,152	
Total Liabilities	14,450,032	3,258,114	1,865,580	1,876,596	6,856,321	4,651,213	32,957,856	
Deferred Inflows of Resources:								
Unavailable Revenue	157,907	3,546	939,182	21,720	-	586,872	1,709,227	
Fund Balances (Deficits):								
Non-Spendable: Prepaid items	202,816	91,500	-	-	2,268,034	-	2,562,350	
Restricted:								
Programs for Mental / Behavioral Health	-	19,048	-	-	9,346,304	-	9,365,352	
Programs for Children & Youth	-	-	1,375,247	-	-	-	1,375,247	
Programs for Community Development	-	-	-	202,625	-	-	202,625	
Other	-	-	-	-	-	4,777,475	4,777,475	
Committed:								
Capital Projects	-	-	-	-	-	1,416,877	1,416,877	
Assigned:								
Purchases on Order	127,511	-	-	-	-	-	127,511	
Unassigned:	(4,147,374)	(75,396)	-	-	-	(149,068)	(4,371,838)	
Total Fund Balances (Deficits)	(3,817,047)	35,152	1,375,247	202,625	11,614,338	6,045,284	15,455,599	
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	\$ 10,790,892	\$ 3,296,812	\$ 4,180,009	\$ 2,100,941	\$ 18,470,659	\$ 11,283,369	\$ 50,122,682	

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

COUNTY OF BEAVER, PENNSYLVANIA

**RECONCILIATION OF GOVERNMENTAL FUND BALANCES
TO THE STATEMENT OF NET POSITION**

DECEMBER 31, 2013

Total Fund Balances - Governmental Funds	\$	15,455,599
Receivables for real estate taxes not available to pay for current period expenditures, and therefore, are deferred in the funds.		4,754,200
Grant revenues not available to pay for current period expenditures, and therefore, are deferred in the funds.		1,709,227
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.		
Land		1,757,554
Buildings and improvements		86,546,830
Vehicles		4,273,618
Furniture and equipment		22,464,952
Infrastructure		37,066,015
Construction in Progress		27,192,538
Accumulated depreciation		(62,817,351)
		116,484,156
Accrued interest and accrued vacation payable are not recognized in the governmental funds.		
Accrued interest payable		(2,404,932)
Accrued vacation payable		(2,754,989)
		(5,159,921)
Non-current liabilities are not due nor payable in the current period, and therefore, are not reported in the funds. These liabilities consist of:		
General obligation bonds payable		(63,594,211)
Other general long-term liabilities -		
PFA Series 2005 Bonds		(2,545,000)
Pension Obligation Bond 2005		(11,495,000)
PFA Series of 2012		(6,832,365)
PFA Series 2013		(7,116,785)
Pension Bond 2009		(9,532,500)
DCED General Obligation Note		(44,840)
Discount		1,138,589
Capital Lease Obligation		(16,117,472)
Accrued sick and early termination benefits payable		(1,339,271)
		(117,478,855)
Deferred Charges on Refunding Debt		797,431
Pension Contributions in excess of annual required contribution are treated as net pension asset.		13,626,647
An internal service fund is used by management to account for medical benefits and workers compensation of the County employees. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position.		(1,041,974)
Total Net Position of Governmental Activities	\$	29,146,510

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

COUNTY OF BEAVER, PENNSYLVANIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2013

	General	Mental Health/ Intellectual Disabilities	Children & Youth	Community Development	HealthChoices	Other Governmental Funds	Total Governmental Funds
Revenues							
Real Estate Taxes	\$ 47,526,123	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 47,526,123
Licenses and Permits	142,264	-	-	-	-	-	142,264
Interest and Rents	15,573	2,333	155	128	17,051	1,228	36,468
Intergovernmental Revenues	3,602,817	15,975,867	10,874,819	5,692,169	36,055,610	20,816,354	93,017,636
Departmental Earnings	7,794,668	1,147,111	121,005	322,717	-	1,633,606	11,019,107
Local Hotel Room Tax	-	-	-	-	-	268,517	268,517
Miscellaneous	1,118,878	19,509	-	-	-	60,540	1,198,927
Total Revenues	<u>60,200,323</u>	<u>17,144,820</u>	<u>10,995,979</u>	<u>6,015,014</u>	<u>36,072,661</u>	<u>22,780,245</u>	<u>153,209,042</u>
Expenditures							
Current:							
General Government	10,210,427	-	-	-	-	74,184	10,284,611
Judicial	12,747,442	-	-	-	-	2,902,736	15,650,178
Public Safety	15,177,863	-	-	-	-	2,130,200	17,308,063
Public Works and Enterprises	3,366,132	-	-	-	-	475,776	3,841,908
Culture, Recreation, and Conservation	2,675,664	-	-	-	-	312,355	2,988,019
Economic Development	-	-	-	5,923,971	-	-	5,923,971
Intergovernmental:							
Human Services	7,401,736	17,833,559	12,341,983	-	34,810,197	8,008,426	80,395,901
Debt Service:							
Principal	3,594,186	-	-	-	-	-	3,594,186
Interest	4,995,116	-	-	-	-	-	4,995,116
Bond Issuance Costs	149,577	-	-	-	-	-	149,577
Other	10,006	-	-	-	-	-	10,006
Infrastructure Acquisition and Improvement	1,935	-	-	-	-	6,869,374	6,871,309
Capital Asset Acquisition and Improvement	616,822	15,145	140,064	-	-	293,199	1,065,230
Total Expenditures	<u>60,946,906</u>	<u>17,848,704</u>	<u>12,482,047</u>	<u>5,923,971</u>	<u>34,810,197</u>	<u>21,066,250</u>	<u>153,078,075</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(746,583)	(703,884)	(1,486,068)	91,043	1,262,464	1,713,995	130,967
Other Financing Sources (Uses)							
Advance Refunding of Debt	(6,636,785)	-	-	-	-	-	(6,636,785)
Refunding Bonds	6,831,000	-	-	-	-	-	6,831,000
Issuance of Debt	-	-	-	-	-	411,185	411,185
Capital Lease Agreements	266,409	-	-	-	-	-	266,409
Original Issue Discount	(44,638)	-	-	-	-	-	(44,638)
Transfers from Other Funds	659,033	692,966	1,550,419	-	-	1,061,211	3,963,629
Transfers to Other Funds	(3,922,146)	-	-	-	-	(659,033)	(4,581,179)
Total Other Financing Sources (Uses)	(2,847,127)	692,966	1,550,419	-	-	813,363	209,621
Net Change in Fund Balances	(3,593,710)	(10,918)	64,351	91,043	1,262,464	2,527,358	340,588
Fund Balances - Beginning	(223,337)	46,070	1,310,896	111,582	10,351,874	3,517,926	15,115,011
Fund Balances - Ending	<u>\$ (3,817,047)</u>	<u>\$ 35,152</u>	<u>\$ 1,375,247</u>	<u>\$ 202,625</u>	<u>\$ 11,614,338</u>	<u>\$ 6,045,284</u>	<u>\$ 15,455,599</u>

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

COUNTY OF BEAVER, PENNSYLVANIA

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED DECEMBER 31, 2013

Net Change in Fund Balances - Total Governmental Funds	\$ 340,588
Revenue timing differences resulted in more revenue for real estate taxes in the Statement of Activities.	403,944
Revenue timing differences resulted in more grant revenue in the Statement of Activities due to the period of availability of the funds.	(422,700)
The differences due to capital assets are as follows:	
1. Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:	
Capital outlay and donated assets	\$ 8,494,986
Depreciation expense	<u>(5,731,048)</u>
	2,763,938
2. The effect of the disposals and transfers of capital assets is to change net position by the net book value of the disposed or transferred assets.	
Net book value of disposed assets	(33,735)
Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in the governmental funds.	
Changes in accrued interest payable	58,981
Changes in accrued vacation payable	<u>(55,915)</u>
	3,066
The difference due to non-current liabilities are as follows:	
1. The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.	
Refunded Bonds	(6,975,675)
Current refunding	5,951,055
Original issue discount	44,638
Bond principal payments	3,442,682
Capital lease obligation payments	390,496
Debt issuance	<u>(532,919)</u>
	2,320,277
2. Governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.	
Amortization of bond discounts	(163,460)
3. The expense for sick leave and early termination benefits does not require the use of current financial resources. These items are reported as a non-current liability in the Statement of Net Position.	55,509
The deferred amount on refunding	
Amount related to 2013 refunding	737,160
2013 amortization	<u>(56,049)</u>
	681,111
The difference due to pension activity is as follows:	
1. Amortization of excess general fund pension contribution.	(849,853)
An internal service fund is used by management to account for medical and workers' compensation benefits of the County employees. The net change in activity of the internal service fund is reported with governmental activities.	<u>(773,251)</u>
Change in Net Position of Governmental Activities	<u>\$ 4,325,434</u>

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

COUNTY OF BEAVER, PENNSYLVANIA

STATEMENT OF NET POSITION PROPRIETARY FUNDS

DECEMBER 31, 2013

	Business-type Activities		Governmental
	Enterprise Fund		Activities
	Friendship Ridge	Internal Service Funds	
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 1,336,501	\$ 118,524	
Receivables	9,416,383	-	
Supplies	201,979	-	
Prepaid Items	40,299	-	
Total Current Assets	<u>10,995,162</u>	<u>118,524</u>	
Non-Current Assets:			
Land	42,075	-	
Construction in Progress	180,257	-	
Buildings and Improvements	16,128,460	-	
Furniture and Equipment	34,209,408	-	
Less Accumulated Depreciation	(36,966,279)	-	
Interfund Receivable	-	416,058	
Other Assets	355,483	-	
Resident Funds	243,278	-	
Pension Asset	4,918,688	-	
Total Non-Current Assets	<u>19,111,370</u>	<u>416,058</u>	
Total Assets	<u>30,106,532</u>	<u>534,582</u>	
Deferred Outflows of Resources			
Deferred Amount on Refunding Debt	<u>149,333</u>	<u>-</u>	
Liabilities			
Current Liabilities:			
Accounts Payable	\$ 2,369,838	\$ 906,662	
Accrued Payroll	1,186,254	-	
Accrued Vacation	742,602	-	
Interfund Payable	6,073,129	-	
Accrued Interest	112,745	-	
Accrued Other Liabilities	801,739	-	
Unearned Revenues	51,414	-	
Accrued Employee Benefits	592,206	669,894	
Long-Term Debt - Current Portion	444,408	-	
Total Current Liabilities	<u>12,374,335</u>	<u>1,576,556</u>	
Non-Current Liabilities:			
Resident Funds	243,278	-	
Long-Term Debt	15,678,911	-	
Total Non-Current Liabilities	<u>15,922,189</u>	<u>-</u>	
Total Liabilities	<u>28,296,524</u>	<u>1,576,556</u>	
Net Position			
Net Investment in Capital Assets	7,272,237	-	
Unrestricted	(5,312,896)	(1,041,974)	
Total Net Position	<u>\$ 1,959,341</u>	<u>\$ (1,041,974)</u>	

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

COUNTY OF BEAVER, PENNSYLVANIA

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS**

FOR THE YEAR ENDED DECEMBER 31, 2013

	Business-type Activities Enterprise Fund Friendship Ridge	Governmental Activities Internal Service Funds
<u>Operating Revenues</u>		
Charges for Services	\$ 49,001,164	\$ 9,861,472
Miscellaneous Income	-	85,789
Total Operating Revenues	<u>49,001,164</u>	<u>9,947,261</u>
<u>Operating Expenses</u>		
Costs of Services	45,232,415	9,952,395
Administrative	6,034,381	768,191
Depreciation and Amortization	1,603,538	-
Total Operating Expenses	<u>52,870,334</u>	<u>10,720,586</u>
Operating Income (Loss)	(3,869,170)	(773,325)
<u>Non-Operating Revenues (Expenses)</u>		
Debt Service Interest	(885,303)	-
Unrestricted Gifts	16,042	-
Investment Income	169	74
Total Non-Operating Revenues (Expenses)	<u>(869,092)</u>	<u>74</u>
(Loss) Before Transfers	(4,738,262)	(773,251)
Transfers In	617,550	-
Change in Net Position	(4,120,712)	(773,251)
Total Net Position - Beginning	<u>6,080,053</u>	<u>(268,723)</u>
Total Net Position - Ending	<u>\$ 1,959,341</u>	<u>\$ (1,041,974)</u>

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

COUNTY OF BEAVER, PENNSYLVANIA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

FOR THE YEAR ENDED DECEMBER 31, 2013

	Business-type Activities	Governmental
	Enterprise Fund	Activities
	Friendship	Internal Service
	Ridge	Funds
<u>Cash Flows from Operating Activities:</u>		
Cash receipts for services provided	\$ 47,742,055	\$ 9,857,675
Cash payments to suppliers	(28,142,777)	(10,002,949)
Cash payments to employees	(22,715,404)	-
Net Cash Used in Operating Activities	<u>(3,116,126)</u>	<u>(145,274)</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>		
Principal and interest payments of long-term debt	(1,303,783)	-
Property, facilities and equipment	(54,302)	-
Net Cash Used In Capital and Financing Activities	<u>(1,358,085)</u>	<u>-</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>		
Principal and interest payments of long-term debt	(531,257)	-
Proceeds from the loan/subsidy provided by the County	4,662,655	-
Net Cash Provided by Non-Capital Financing Activities	<u>4,131,398</u>	<u>-</u>
<u>Cash Flows from Investing Activities:</u>		
Investment Income	169	74
Net Cash Provided by Investing Activities	<u>169</u>	<u>74</u>
Net Decrease in Cash and Cash Equivalents	(342,644)	(145,200)
<u>Cash and Cash Equivalents:</u>		
Beginning of year	1,679,145	263,724
End of year	<u>\$ 1,336,501</u>	<u>\$ 118,524</u>
<u>Reconciliation of Operating (Loss) to</u>		
<u>Net Cash Provided by Operating Activities:</u>		
Operating (loss)	\$ (3,869,170)	\$ (773,325)
Non-cash adjustments to reconcile operating income (loss)		
to net cash provided by operating activities:		
Depreciation and amortization	1,603,538	-
Transfer in from General Fund	617,550	-
Pension expense financed with pension bond	255,550	-
Early retirement benefits	(164,977)	-
Change in operating assets and liabilities:		
Accounts receivable	(1,275,151)	(89,587)
Supplies	58,194	-
Prepaid items	25,286	-
Deposits	5,307	-
Accounts payable	246,447	657,740
Unearned credits	8,849	-
Accrued Liabilities	(627,549)	59,898
Net Cash Provided by Operating Activities	<u>\$ (3,116,126)</u>	<u>\$ (145,274)</u>

Disclosure of Accounting Policy:

For purposes of the Statement of Cash Flows, the Governmental Activities consider all highly liquid investments with a maturity of three months or less when acquired to be cash equivalents.

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

COUNTY OF BEAVER, PENNSYLVANIA

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS**

DECEMBER 31, 2013

	Pension Trust Fund	Agency Funds
Assets		
Cash and Cash Equivalents	\$ 10,004,376	\$ 2,812,172
Cash and Cash Equivalents Held as Collateral	8,235,464	-
Interest and Dividends Receivable	627,710	-
Investments:		
Common and Preferred Stocks	168,474,905	-
Certificates of Deposit	2,629,128	-
U.S. Government Obligations	28,988,596	-
Corporate Bonds	30,954,394	-
Other Debt Securities	8,546,533	-
Registered Investment Companies	20,166,218	-
Interest in Limited Partnership	2,995,893	-
Interest in Collective Trust	21,809,298	-
Total Investments	<u>284,564,965</u>	<u>-</u>
Total Assets	<u>\$ 303,432,515</u>	<u>\$ 2,812,172</u>
Liabilities		
Accounts Payable	\$ 265,861	\$ 2,812,172
Collateral Obligation	8,235,464	-
Total Liabilities	<u>8,501,325</u>	<u>2,812,172</u>
Net Position		
Held in Trust for Pension Benefits and Other Purposes	<u>294,931,190</u>	<u>-</u>
Total Net Position	<u>\$ 294,931,190</u>	<u>\$ -</u>

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

COUNTY OF BEAVER, PENNSYLVANIA

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS**

FOR THE YEAR ENDED DECEMBER 31, 2013

	Pension Trust Fund
Additions	
Contributions:	
Member Contributions	\$ 5,258,464
County Contributions	<u>3,790,653</u>
Total Contributions	<u>9,049,117</u>
Investment Activities:	
Net Appreciation in Fair Value of Investments	47,079,550
Interest and Dividends	<u>5,252,842</u>
Less: Investment Management and Actuarial Fees	<u>(1,137,165)</u>
Net Income from Investment Activities	<u>51,195,227</u>
Security Lending Activities:	
Interest from Collateral	9,778
Security Lending Premiums	<u>81,971</u>
Less: Rebates and Fees	<u>(24,087)</u>
Net Income from Security Lending Activities	<u>67,662</u>
Total Additions	<u>60,312,006</u>
Deductions	
Benefits Paid to Plan Members and Beneficiaries	13,495,164
Administrative Expenses	<u>131,053</u>
Total Deductions	<u>13,626,217</u>
Change in Net Position	46,685,789
Net Position - Beginning	<u>248,245,401</u>
Net Position - Ending	<u>\$ 294,931,190</u>

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

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND JUNE 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the County of Beaver, Pennsylvania (the County), have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The significant accounting policies are described below.

1. Organization and Reporting Entity

The organization of the County and the basis of the reporting entity are presented below to assist the reader in evaluating the financial statements and the accompanying notes.

The County was founded as a subdivision of the Commonwealth of Pennsylvania under Title XVI of the Pennsylvania Statutes. The County operates under an elected three member Board of Commissioners and provides the following services as authorized by Pennsylvania's County Code: public safety, judicial, medical, human services, economic development, and culture and recreation.

In accordance with Governmental Accounting Standards Board (GASB) Statements No. 14, No. 39 and No. 61 the County has evaluated all related entities (authorities, commissions, and affiliates) for possible inclusion in the financial reporting entity.

Discretely Presented Component Units

The component unit columns in the government-wide financial statements include individual financial data for the Beaver County Transit Authority (BCTA) and the Community College of Beaver County (CCBC). Financial information of these units is reported in separate columns to emphasize that they are legally separate from the County. They are component units because of the significance of their operations or financial relationships with the County. Their boards are appointed by the County Commissioners and they receive significant operating subsidies from the County. Complete and more detailed financial statements can be obtained from:

Beaver County Transit Authority
200 W. Washington Street
Rochester, PA 15074

Community College of Beaver County
Controller's Office
One Campus Drive
Monaca, PA 15061

The reporting period for BCTA and CCBC is as of and for the year ended June 30, 2013.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND JUNE 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

1. Organization and Reporting Entity - Continued

Discretely Presented Component Units - Continued

Summary of Significant Accounting Policies for BCTA

General Policy – The financial statements of BCTA have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Basis of Accounting – BCTA accounts for expenses using the accrual method of accounting. Grant revenue is recognized when the corresponding grant purpose expense is made. Grant monies received or receivable before the revenue recognition criteria have been met are reported as unearned revenue. BCTA's practice is to record grants as receivables and unearned revenue at the time the grants are awarded. Passenger fares are recorded when received. All other revenues are recognized when earned. Assets are depreciated using the straight-line method over their estimated useful lives.

Summary of Significant Accounting Policies for CCBC

General Policy – CCBC prepares its financial statements in accordance with generally accepted accounting principles for public colleges and universities as outlined by GASB. In accordance with GASB, CCBC elects to report its financial activities as Business-Type Activities only. Inter-fund activity within CCBC has been eliminated in the preparation of the financial statements.

Basis of Accounting – CCBC prepares its financial statements using the accrual basis of accounting. Under this method, revenue is recognized when earned and expenses are recognized when the obligation to pay is incurred. Assets are depreciated using the straight-line method over their estimated useful lives.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND JUNE 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

1. Organization and Reporting Entity – Continued

Related Organizations

The Board of Commissioners is responsible for appointing the members of the boards of other organizations, but the County's accountability for these organizations does not extend beyond making the appointments. These organizations include the:

- Beaver County Agricultural Land Preservation Board
- Beaver County Airport Authority
- Beaver County Conservation District
- Beaver County Economic Development Authority
- Beaver County Hospital Authority
- Beaver County Housing Authority
- Beaver County Industrial Development Authority
- Beaver County Job Training
- Beaver County Redevelopment Authority
- Pennsylvania Finance Authority
- Southwestern Pennsylvania Commission
- Workforce Investment Board

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND JUNE 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

2. Government-Wide Financial Statements and Fund Financial Statements

Government-Wide Statements:

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which primarily rely on fees and charges for support. Activities of the internal service funds are eliminated to avoid “doubling up” revenues and expenses. The entire deficit of the internal service funds was recorded as an increase in expenses of the primary government. All other internal activities, such as interfund reimbursements, are treated as a reduction of the appropriate expense. Fiduciary funds are also excluded from the government-wide financial statements.

The government-wide Statement of Activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the business-type activities of the County and for each governmental program. 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 recipients of the services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financed or draws from the general revenues of the County. Certain indirect costs are included in the program expense reported for individual functions and activities.

Net position is reported as restricted when constraints placed on these resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, laws, regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

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

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND JUNE 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

2. Government-Wide Financial Statements and Fund Financial Statements – Continued

Fund Financial Statements:

The fund financial statements provide information about the County's funds, including its fiduciary funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The emphasis of fund financial statements is on major governmental and enterprise funds, each of them displayed in a separate column.

Certain funds are required by GAAP to be presented as major funds of the County. The requirement to present a fund as "major" is based on the total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, and expenditures within the fund, with the exception of the General Fund, which must always be presented as a major fund. Additionally, the County has the option of voluntarily presenting any fund as major.

The County reports the following governmental funds as major:

General Fund. This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Mental Health / Intellectual Disabilities. This fund is responsible for serving certain mental and behavioral health needs of the County's citizens. Revenues and other resources reported in this fund are derived from a variety of federal and state grants as well as from transfers for county matches from the General Fund.

Children and Youth. The purpose of this fund is to protect and care for children who have been abused, neglected, exploited, abandoned, adjudicated delinquent, or are without proper parental supervision. Revenues and other resources reported in this fund are derived from a variety of federal and state grants as well as from transfers for county matches from the General Fund.

Community Development. This fund accounts for the activities of the Community Development Program of Beaver County (CDP). The CDP's mission is two-fold: to improve the living conditions of low-income individuals and to aid in the elimination of slum and blight. The Community Development Fund is voluntarily reported as major by the County due to its significance within County operations. Revenues and other resources reported in this fund are derived from a variety of federal and state grants.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND JUNE 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

2. **Government-Wide Financial Statements and Fund Financial Statements** – Continued

Fund Financial Statements – Continued:

HealthChoices. HealthChoices is a program sponsored by the Commonwealth of Pennsylvania and administered by the County to meet the needs of low income individuals with behavioral health problems. Revenue and other resources reported in this fund are derived from a capitated arrangement through an intergovernmental contract.

All remaining governmental funds are aggregated and reported as non-major funds.

The County reports its only enterprise fund as major:

Friendship Ridge. This fund is used to account for the County-owned long-term health care facility that accommodates County citizens.

3. **Fund Types**

In accordance with generally accepted accounting principles applicable to governmental units, the accounts of the County are organized and operated on the basis of individual funds. The operations of each fund are accounted for by providing a separate set of self-balancing accounts comprised by assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances or net position, revenues, and expenditures or expenses. The following describe the purpose and function of each type of fund presented in the accompanying financial statements.

Governmental Fund Types

The General Fund is used to account for all financial transactions not accounted for in the fund types listed below. This includes items such as the receipt and expenditure of the general tax levy and fees of general offices.

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND JUNE 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

3. Fund Types - Continued

Capital Projects Funds are used to account for financial resources that are restricted, committed, or assigned to expenditures for the acquisition or construction of capital facilities and other capital assets (other than those financed by proprietary fund types).

Proprietary Fund Types

An Enterprise Fund is used to account for operations that are financed and operated in a manner similar to that found in the private sector, where the intent of the County is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges. Friendship Ridge is the County's only enterprise fund.

Internal Service Funds account for operations that provide services to other departments or agencies of the County on a cost reimbursement basis. These funds account for the employees' self-insured medical health benefits and workers' compensation claims of the County (excluding employees at Friendship Ridge).

Fiduciary Fund Types

Fiduciary Funds are used by the County to account for assets held on behalf of outside parties or on behalf of other funds. These funds currently include the pension trust fund and the agency funds.

The Pension Trust Fund is accounted for in essentially the same manner as a proprietary fund and it presents the activities of the Beaver County Employees' Pension Plan.

Agency Funds are custodial in nature and do not involve measuring results of operations. The funds are used to account for cash collected and disbursed by elected row officers such as the Clerk of Courts, Recorder of Deeds, Register of Wills, Sheriff, Prothonotary, and Treasurer; support payments collected by Domestic Relations; and delinquent real estate tax payments collected by Tax Claim.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND JUNE 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

4. Basis of Accounting and Measurement Focus

Basis of accounting refers to when revenues, expenditures, expenses and transfers, and the related assets, deferred inflows and outflows of resources, and liabilities are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. The primary effect of internal activity has been eliminated from the government-wide financial statements.

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available to finance expenditures of the fiscal period. Revenues are considered available when they are expected to be collected within sixty days of year-end. As of December 31, 2013, the County delayed revenue recognition of \$1,709,227 because these monies were not yet considered available in accordance with GAAP. Expenditures and transfers out are generally recognized under the accrual basis of accounting when the related liability is incurred, except for compensated absences and financing costs/interest on general long-term debt, which are recorded when the payment is due.

The financial statements of agency and proprietary funds are presented on the accrual basis of accounting. Under this method of accounting, all revenues are recorded when earned and all expenses are recorded when the liability is incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing and producing services in connection with a proprietary fund's ongoing revenues. The principal operating revenues of the County's proprietary funds are discussed in the next section. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND JUNE 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

4. Basis of Accounting and Measurement Focus - Continued

The Pension Trust Fund and the agency funds' financial statements are also prepared using the accrual basis of accounting. Employee and employer contributions are recognized when due, pursuant to formal commitments, as well as statutory or contractual requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the pension plan. Administrative costs from services provided by outside vendors are recorded when incurred. Certain other costs for services provided internally are not charged to and therefore not recorded on the financial statements of the Pension Trust Fund.

The Pension Trust Fund and the agency funds' investments are reported at fair value. Investments traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Other investments are valued based on their liquidation amounts as estimated by the investment fund's management. Investment income is recognized as earned. Gains and losses on sales and exchanges are recognized on the transaction date.

5. Revenues

Property taxes collected by the Treasurer within sixty days subsequent to December 31, related to the prior year, are recorded as revenue on the Statement of Revenues, Expenditures and Changes in Fund Balance in the previous year ended.

Federal and state grants are recognized as revenues in the period the related expenditures are incurred, if applicable, or when the County is entitled to the grants. However, these grants are subject to audits and adjustments by grantor agencies. Revenues received after sixty days subsequent to year-end are recorded as unavailable revenue on the governmental funds' Balance Sheets and, for the period of collection, as revenue on the Statement of Revenues, Expenditures and Changes in Fund Balance. Grant revenues recognized for expenditures which are disallowed are repayable to the grantor. Management has presented these statements based upon its understanding of restrictions on the revenues recognized. Revenue recognized by HealthChoices is based on the number of eligible members within the County, paid monthly at a contracted rate with Pennsylvania's Department of Public Welfare.

Resident fees of Friendship Ridge are recognized in the period in which the services are provided. A significant portion of Friendship Ridge's services are provided to patients under hospitalization or other health-related benefit contracts with third parties. Charges for services of Friendship Ridge are equal to the reimbursement rates received from the third parties. Friendship Ridge may also receive incentive payments from state and federal programs.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND JUNE 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

6. Unavailable and Unearned Revenues

Under the modified accrual basis of accounting, revenue is not recognized until it is available to liquidate liabilities of the current period; under full accrual accounting, revenue is recognized as soon as it is earned. Assets received on or prior to the financial statement date, for which the revenue recognition requirements have not been met, are posted as unearned revenue on the Statements of Net Position and the Balance Sheet for Governmental Funds. Certain payments received by the County are considered unearned and not subject to revenue recognition under either the full or modified accrual basis.

7. Expenditures

Capital asset purchases relating to non-proprietary fund type assets are included in current year expenditures in governmental funds and are capitalized on the government-wide Statement of Net Position. Interest on non-proprietary fund debt is recorded as an expenditure on the Statement of Revenues, Expenditures and Changes in Fund Balances when paid or when payment is due.

8. Cash, Cash Equivalents, Restricted Cash, and Investments

The County maintains numerous checking accounts for depositing receipts and disbursing expenditures for all governmental fund types. In addition, the County maintains two accounts in the Pennsylvania Local Government Investment Trust (PLGIT), one account in the Pennsylvania Treasurer's Invest Program for Local Governments (Invest Program), and three commercial money market accounts which earn interest. Funds are transferred to these accounts to utilize the surplus of cash, which would otherwise remain idle in the County's checking accounts. The balances maintained in these accounts represent the individual interest of each representative fund in the account and they are recorded at cost, which approximates fair value.

HealthChoices' restricted cash represents deposits the County is required to maintain in order to meet certain contractual provisions of grantor agencies.

For purposes of the accompanying Statement of Cash Flows, the County considers all highly liquid investments with a maturity of three months or less when acquired, including restricted cash, to be cash equivalents regardless of any restrictions.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND JUNE 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

9. Supplies

Supplies of Friendship Ridge consist of expendable materials stated at cost which is determined by the first-in-first-out method.

10. Prepaid Expenses

Prepaid expenses in the fund financial statements are recorded as assets in the specific governmental fund in which future benefits will be derived. The prepaid expenses in the fund financial statements are recognized under the consumption method and they consist primarily of prepaid insurance premiums in the General Fund and prepaid claim payments for HealthChoices.

11. Capital Assets

The accounting and reporting applied to the capital assets associated with a fund is determined by its measurement focus. Capital assets that have been acquired for general governmental purposes are recorded as expenditures in the governmental funds and are capitalized in the government-wide Statement of Net Position. All capital assets are recorded at cost, if known, or at estimated historical cost. Donated capital assets are recorded at their fair value on the date of the donation. The County uses a threshold of \$5,000 for recording substantially all capital assets. Friendship Ridge uses a threshold of \$500 and an estimated useful life of three years or longer for recording capital assets. All infrastructure placed into service after 1980 is capitalized. Depreciation and related accumulated depreciation on capital assets is recorded in the government-wide statements and the proprietary fund financial statements and it is computed using the straight-line method over the estimated useful lives of the related assets.

Estimated useful lives for the County's classes of reported capital assets are as follows:

Infrastructure	50 years
Buildings and Land Improvements	40 years
Leasehold Improvements	10 years
Equipment	10 years
Computer Hardware	6 years
Computer Software	5 years
Vehicles	5 years
Furniture and Fixtures	5 years

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND JUNE 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

11. Capital Assets - Continued

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Major renewals or betterments are capitalized as additions.

12. Compensated Absences

The vacation policy for substantially all of the County's employees provides that vacation earned from the prior year's service, granted to employees on January 1, must be taken by December 31 of that same year. Therefore, the accrual in the government-wide Statement of Net Position represents what was earned through December 31, 2013, granted on January 1, 2014.

Employees, other than those mentioned below, may accumulate up to 100 days of sick leave. Sheriff's deputies may accumulate up to a maximum of 150 days of sick leave. Jail guards receive nine days of sick leave per year with no limit on the maximum number of days that can be carried into the subsequent years. Children & Youth, Office on Aging, Mental Health / Intellectual Disabilities, and probation officer employees receive paid time off. These employees may accumulate up to a maximum of 50 days of paid leave. Court-related employees may accrue up to 35 days of so-called "package days". "Package days" combine an employee's vacation, sick time, and personal time. If sick leave is not used, it is paid to retirement-eligible employees upon retiring at varying rates. Accumulated sick leave as of December 31, 2013 that is estimated to be paid to employees upon retirement has been recorded in the government-wide Statement of Net Position under Non-current Liabilities.

13. Accrued HealthChoices Program Costs

The HealthChoices Program accrues an estimate of its medical liability at the end of each accounting period. The estimate is developed using a process that accounts for the lag between the point in time that the payment is made for a service and the point in time that the County became liable for the service. The Program contracts with an independent actuary to certify this estimate. Subsequent payments are also reviewed to confirm the reasonableness of the estimate.

14. Accrued Healthcare Costs

Accrued healthcare costs of the Internal Service Funds represent medical self-insurance claims and workers' compensation claims. The claims liability is calculated using a completion factor based on claims history and the historical time lag between dates of service and the dates of payment.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND JUNE 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

15. Early Termination Benefits

Early termination benefits payable to former employees are recorded at their discounted present values using an annual discount rate of 2.5%.

16. Budgets

The County Board of Commissioners (the “Commissioners”) annually adopts a formal budget for all of the Governmental Fund Types. The following procedures are followed in establishing the budgetary data reflected in the financial statements.

The County Controller submits the proposed budget to the Commissioners no less than thirty days prior to the adoption of the budget for the year beginning the following January 1. The proposed budget is adopted no later than December 31, with certain exceptions. Notice of the availability of the proposed budget for public inspection is made at least twenty days prior to the adoption of the final budget.

The Commissioners may at any time, by resolution, make supplemental appropriations for any lawful purpose from any funds on hand or estimated to be received within the fiscal year and not otherwise appropriated, including proceeds of any borrowing. Appropriations lapse at year-end if not recorded in the financial statements.

Appropriated budgets are adopted and presented on a modified accrual basis consistent with GAAP by fund, department and line-item. Line-items are specific revenues and expenditures, such as taxes, fees, salaries and supplies. This basis of accounting is the same as that used for the fund financial statements. Transfers of appropriations may be requested between line-items within a department or between departments within the same fund. All transfers of appropriations require the approval of the Commissioners. The legal level of control is exercised by fund and department, and management’s level of control is at each line-item.

Formal budgetary review is employed as a management control during the year for all governmental Funds. Final budget amounts presented in the schedules and supplementary information accompanying the financial statements are as amended as of December 31, 2013.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND JUNE 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

17. Deferred Outflows / Inflows of Resources

In addition to assets, the Statement of Net Position and/or the Balance Sheet for Governmental Funds will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The government only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded debt or the refunding debt.

In addition to liabilities, the Statement of Net Position and/or the Balance Sheet for Governmental Funds will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under the modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from grant agreements. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

18. Fund Balance

GASB Statement No. 54 establishes accounting and financial reporting standards for all governments that report governmental funds. This statement establishes criteria for classifying fund balances into specifically defined classifications and it clarifies definitions as follows:

Non-spendable – This classification consists of amounts that cannot be spent because they are either not in spendable form or are legally required to be maintained intact.

Restricted – This classification consists of amounts that are restricted to specific purposes, as imposed by external restrictions such as constitutional provisions or enabling legislation.

Committed – This classification consists of amounts used for specific purposes exclusively imposed by formal action of the County's Board of Commissioners, the County's highest level of decision-making authority. Only through execution of a resolution by the County's Board of Commissioners prior to fiscal year-end can the County commit fund balance or remove or modify a previously committed fund balance.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND JUNE 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

18. Fund Balance – Continued

Assigned – This classification consists of amounts constrained by the County's intent to be used for specific purposes that are neither restricted nor committed. The present procedure is for the Board of Commissioners and Controller to jointly assign amounts to be used for specific purposes before issuance of the audited financial statements.

Unassigned – This classification consists of amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund is the only fund that could report a positive unassigned fund balance.

It is the County's policy, when more than one classification of fund balance is available for a particular purpose, to first apply expenditures against the restricted fund balance followed by committed, assigned, and then unassigned fund balance.

The governmental fund types use encumbrance accounting, under which open purchase orders are recorded. Open encumbrances do not constitute expenditures or liabilities since the obligations will be honored, re-appropriated and added to each department's subsequent year's budget. The assigned fund balance portion of the General Fund is entirely for encumbrances of purchase orders. See Note M for additional encumbrance information.

Amounts reported as restricted fund balance – other – on the governmental funds' balance sheet have the following specific purposes:

For Emergency Services	\$ 323,835
For Capital Projects	2,520,817
For the Elderly Population	573,321
For Tourism Promotion	42,756
For Office Improvements and Records Automation	496,415
For General Law Enforcement	820,331
	<hr/>
	\$ 4,777,475

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND JUNE 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

18. **Fund Balance** – Continued

HealthChoices Program

HealthChoices receives funds based on a contract between the County and the Commonwealth of Pennsylvania's Department of Public Welfare (Commonwealth). Per the contract, the County must maintain a restricted reserve for equity and a plan of insolvency. As of December 31, 2013, the County has met the equity requirement by maintaining approximately \$1,800,000 in a separate bank account. Assets can be transferred from this account only with the permission of the Commonwealth. As of December 31, 2013, the County has also met the insolvency requirement determined by the Commonwealth by maintaining, at a minimum, the equivalent of sixty days' worth of unpaid claims. The minimum, which was determined by the Commonwealth to be \$4,536,708, is maintained in a separate bank account.

The contract also allows the County to maintain a reserve for risk and contingency in an amount not to exceed seventy-five days of unpaid claims. The County has elected to have this reserve by restricting \$5,986,917 of cash and investments at December 31, 2013. Draw-down of these funds requires approval of the Commonwealth.

19. **Net Position**

GASB Statement No. 63 requires a classification of net position into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined below:

- Net investment in capital assets – This component consists of capital assets, net of accumulated depreciation, and reduced further by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of these assets.
- Restricted – This component of net position entails the balance subject to constraints placed on the use of resources through external restrictions, such as, constitutional provisions or enabling legislation.
- Unrestricted – This component consists of resources that do not meet the definition of “restricted” or “net investment in capital assets.”

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND JUNE 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

19. **Net Position** – Continued

The County's policy is to apply expenses against restricted net position first, then unrestricted net position, when that choice is permitted.

20. **Pending Governmental Accounting Standards Board Pronouncements**

The GASB has issued Statements No. 67 "Financial Reporting for Pensions" and No. 68 "Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27" (as amended by GASB Statement No. 71 "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68"). These statements are effective for periods starting after June 15, 2013 and June 15, 2014, respectively. The primary objective of these Statements is to improve accounting and financial reporting by state and local governments for pensions. The Statements also improve information provided by state and local governmental employers about financial support for pensions that is provided by other entities.

The GASB has also issued Statement No. 69 "Government Combinations and Disposals of Government Operations". This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The requirements of this Statement are effective for financial reporting periods beginning after December 15, 2013.

GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees" requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The provisions of this Statement are effective for reporting periods beginning after June 15, 2013.

The County has not determined the impact, if any, the application of the aforementioned statements will have on the County's financial statements.

21. **Use of Estimates**

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect reported amounts. Actual results could differ from those estimates.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND JUNE 30, 2013

NOTE B - PROPERTY TAXES

Property tax millage rates are set by a resolution of the Commissioners prior to January 1 of the current year, with certain exceptions. Taxes are payable in the beginning of the current fiscal year through April of the following fiscal year as approved by the Commissioners. After that date, the properties are liened and legal action is required to sell real property for tax proceeds.

The County is permitted, by the County Code, to levy real property taxes up to a maximum of twenty-five mills on every dollar of adjusted valuation.

Property tax revenues for the year ended December 31, 2013, are recorded on the Statement of Activities net of discounts of approximately \$750,000 and inclusive of penalties amounting to approximately \$300,000. Property tax receivables are stated net of allowance for uncollectible accounts. At December 31, 2013, the balance in the allowance for uncollectible taxes is \$3,398,874.

NOTE C - CASH DEPOSITS AND INVESTMENTS

Beaver County has not adopted a formal investment policy other than that pertaining to the Pension Trust Fund; however, all investment decisions are based upon legally binding statutes determined by the County Code. Statutes allow the County to invest in the following:

- United States Treasury bills
- Short-term obligations of the United States Government or the Commonwealth of Pennsylvania
- Deposits in savings accounts or time deposits of institutions having a place of business in the Commonwealth of Pennsylvania and insured or collateralized in accordance with Act 72
- Certificates of deposit limited to twenty per centum of capital and surplus if purchased from a commercial bank and limited to twenty per centum of assets minus liabilities if purchased from a savings and loan association, or other investments, collateralized by the aforementioned federal government securities

Investments

Substantially all of the County's investments (excluding the pension fund) are in certain Pooled Investment Funds which are managed by the Pennsylvania Local Government Investment Trust (PLGIT) and the Invest Program. The fair value of the position in the PLGIT and the Invest Program are the same as the value of the pools' shares.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND JUNE 30, 2013

NOTE C - CASH DEPOSITS AND INVESTMENTS – (Continued)

Investments – Continued

Since these investments have maturities that are less than three months, these amounts are classified as cash on the Statement of Net Position which is pursuant to the County's accounting policy. An oversight committee headed by the Pennsylvania State Treasurer monitors the overall effectiveness of the Invest Program. PLGIT's Board of Trustees and its participants annually select an independent auditing firm to perform a financial audit of the Trust. The pools are composed of a diversified portfolio of short-term securities, repurchase agreements and certificates of deposit collateralized with U.S. Treasury securities, and obligations of the U.S. Government. The credit quality rating for PLGIT and the Invest Program were "AAA" according to Standard and Poor's.

Cash Deposits

Cash deposits are exposed to custodial credit risk, which is the risk that a government may not recover the funds it placed in the custody of a counterparty (such as if the counterparty would enter bankruptcy proceeding). The County does not have a formal deposit policy for custodial credit risk. At December 31, 2013, Beaver County's deposits were either insured or collateralized with assets held by the pledging bank's trust department and not in the County's name. At December 31, 2013, the bank balance of the County's cash deposits was approximately \$32 million, of which approximately \$1.3 million was insured. The remaining uninsured bank balance was collateralized in accordance with Act 72 of the Commonwealth of Pennsylvania State Legislature, which states that a depository must pledge assets to secure state and municipal deposits. The pledged assets must be equal to at least the total amount of the public deposits at the depository and may be on a pooled basis.

Pension Trust Fund Investments

The County has a policy in place to define the types and the mix of investments that are commensurate with the goals of the Pension Trust Fund. The policy applies certain limitations on the amounts of domestic equities, international equities, fixed income investments, and cash equivalents that the fund may hold at any one time. All assets of the County's Pension Trust Fund, except for its interest in the collective trusts and certain debt securities, were either insured or collateralized with assets held in the custodian's trust department.

Credit risk is the risk that investments may not be recovered from the counterparty due to bankruptcy, theft, or other occurrences. To mitigate this risk, the Beaver County Pension Trust Fund Investment Policy limits an investment in common stock in any one corporation to 5% of the total portfolio. For corporate bonds, the County's policy requires that bonds be rated at least "BBB" by the Standard and Poor's bond rating system.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND JUNE 30, 2013

NOTE C - CASH DEPOSITS AND INVESTMENTS – (Continued)

Pension Trust Fund Investments – Continued

Foreign currency risk is the risk that investments may lose value due to fluctuation of foreign currency exchange rates. All foreign equity investments are pooled investments managed by a single counterparty. As a result of the pooling of investments, the Pension Trust Fund does not own foreign securities but rather shares of the pooled investment fund.

Securities Lending Transactions

The County's pension investment policy allows the County's Pension Trust Fund to enter into security lending agreements with eligible borrowers. During 2013, the Pension Trust Fund, through the use of a security lending agent, engaged in several security lending transactions. All securities held by the pension trust fund, except those specifically identified by the County, are available for these loans. The fair value and carrying value of the securities on loan at December 31, 2013, is approximately \$8 million, which is almost entirely comprised of common stock.

Collateral on outstanding loans is calculated daily and equals 102% or 105% of the fair value of the securities on loan. Collateral can be accessed in the event the borrower is unable to repay the loan at maturity. The County has and exercises its ability to invest cash collected as collateral in certain investment accounts to enhance earnings. At December 31, 2013, the County had approximately \$8 million of common stock on loan to various borrowers. The County collected collateral of approximately \$8.2 million consisting entirely of cash, which was subsequently deposited into a short term investment account in order to ensure that maturity of these investments match the maturities of the loans outstanding.

At December 31, 2013, the amount of collateral on hand exceeded the value of the securities on loan. The County has not recorded any losses resulting from default during the year ended December 31, 2013.

Custodial credit risk is that risk that, in the event of a failure of the counterparty, the Fund will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the County's collateral holdings are exposed to custodial credit risk.

Credit risk is the risk that investments may not be recovered from the counterparty due to bankruptcy, theft, or other occurrences. To mitigate this risk, the Pension Trust Fund securities lending policy requires between 102% - 105% of market value to be held as collateral for each security lent. As of December 31, 2013, the Fund is not exposed to credit risk since the value of collateral exceeds the value of the securities on loan for every loan outstanding.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND JUNE 30, 2013

NOTE C - CASH DEPOSITS AND INVESTMENTS – (Continued)

Pension Trust Fund Investments – Continued

As of December 31, 2013, the Pension Trust Fund's investments and cash deposits consisted of:

<u>Investments</u>	
Common and Preferred Stocks	\$ 168,474,905
Interest in Collective Trust	21,809,298
Bonds and Notes:	
U.S. Government Notes	20,500,968
U.S. Government Agency Bonds	1,939,464
U.S. Government Mortgage Backed Securities	6,548,164
Corporate Bonds	30,954,394
Registered Investment Company Securities	20,166,218
Other Debt Securities	<u>14,171,554</u>
Total Investments	284,564,965
 Cash Deposits	10,004,376
Cash Deposits held as Collateral	<u>8,235,464</u>
 Total Cash Deposits and Investments	<u>\$ 302,804,805</u>

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND JUNE 30, 2013

NOTE C - CASH DEPOSITS AND INVESTMENTS – (Continued)

Pension Trust Fund Investments – Continued

Investments in bonds and notes and their respective weighted averages to maturity are as follows:

	Amount at December 31, 2013	Weighted Average to Maturity (Years)
Obligations Explicitly Guaranteed by the United States Government:		
U.S. Government Notes	<u>\$ 20,500,968</u>	6.19
Other Obligations:		
U.S. Government Agency Bonds	1,939,464	14.77
U.S. Government Mortgage Backed Securities	6,548,164	20.15
Corporate Bonds	<u>30,954,394</u>	<u>8.51</u>
Subtotal	<u>39,442,022</u>	
Total	<u><u>\$ 59,942,990</u></u>	
Portfolio Weighted Average		<u><u>9.19</u></u>

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND JUNE 30, 2013

NOTE C - CASH DEPOSITS AND INVESTMENTS – (Continued)

The bond ratings given to corporate bonds, except those explicitly guaranteed by the United States government and mortgage backed securities, whose credit ratings are not available, as determined by the Standard and Poor's bond rating system along with the amount invested by the Pension Trust Fund at December 31, 2013, are as follows:

<u>S&P Rating</u>	<u>Market Value</u>
AAA	239,184
AA+	3,354,561
AA	796,878
AA-	2,809,072
A+	3,316,581
A	6,421,232
A-	9,338,805
BBB+	2,303,639
BBB	2,128,702
BBB-	1,004,600
BB+	511,250
Unrated Securities	<u>7,217,518</u>
TOTAL	39,442,022

Component Unit - BCTA

BCTA is authorized under State statutes to invest in:

- I. Obligations of the U.S. Treasury.
- II. Short-term obligations of the U.S. Government and federal agencies.
- III. Insured savings and checking accounts and certificates of deposit in banks, savings and loan associations and credit unions.
- IV. General obligation bonds of the federal government, the Commonwealth of Pennsylvania or any political subdivision of the Commonwealth of Pennsylvania, or any of their agencies.
- V. Shares of mutual funds whose investments are restricted to the above categories.

At June 30, 2013, BCTA's cash and cash equivalents had a bank balance of \$3,658,932 and a book balance of \$3,589,660. The difference between the bank balance and the book balance represents year-end reconciling items such as deposits in transit and outstanding checks. The Federal Deposit Insurance Corporation (FDIC) coverage threshold for government accounts is \$250,000 per official custodian. This coverage includes checking and savings accounts, money market deposit accounts, and certificates of deposit.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND JUNE 30, 2013

NOTE C - CASH DEPOSITS AND INVESTMENTS – (Continued)

Component Unit – BCTA – Continued

Custodial credit risk is the risk that, in the event of a bank failure, BCTA's deposits may not be returned. BCTA does not have a formal policy for custodial credit risk. As of June 30, 2013, \$2,908,932 of BCTA's bank balance is exposed to custodial credit risk as this amount represents uninsured deposits collateralized with securities held by the pledging financial institution or by its trust department or agent, but not in BCTA's name.

At June 30, 2013, the cash deposits of BCTA consisted of:

Cash - FDIC Insured	
Huntington Bank	\$ 250,000
ESB Bank	250,000
First National Bank	250,000
Collateralized by securities pledged to a pooled public funds account with the Federal Reserve System	<u>2,908,932</u>
	<u>\$ 3,658,932</u>

These deposits are in accordance with Act Number 72-1971 Session of the Commonwealth of Pennsylvania.

Component Unit – CCBC

The Public School Code Section 440.1 authorizes CCBC to invest in:

- I. Obligations of the U.S. Treasury.
- II. Deposits in savings accounts, time deposits and share accounts of institutions insured by FDIC, Federal Savings & Loan Insurance Corporation, and National Credit Union Share Insurance Fund.
- III. Obligations of the United States, Pennsylvania, or any political subdivision of Pennsylvania, or any of their agencies or instrumentalities backed by the full faith and credit of these governmental units.
- IV. Shares of an investment company, registered under the Investment Company Act of 1940.

Investments of the CCBC Foundation include equity, fixed, and mutual funds and money market funds held by the First NationalWealth Management. Investments are stated at fair value.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND JUNE 30, 2013

NOTE C - CASH DEPOSITS AND INVESTMENTS – (Continued)

Component Unit – CCBC – Continued

At June 30, 2013, CCBC's cash and cash equivalents had a bank balance of \$2,317,326 and a book balance of \$1,752,767. The difference between the bank balance and the book balance represents year-end reconciling items such as deposits in transit and outstanding checks. The Federal Deposit Insurance Corporation (FDIC) coverage threshold for government accounts is \$250,000 per official custodian. This coverage includes checking and savings accounts, money market deposit accounts, and certificates of deposit.

CCBC does not have a formal policy for custodial credit risk. As of June 30, 2013, \$1,753,513 of CCBC's bank balance total is exposed to custodial credit risk as this amount represents uninsured deposits collateralized with securities held by the pledging financial institution or by its trust department or agent, but not in CCBC's name.

At June 30, 2013, the cash deposits of CCBC consisted of:

Cash - FDIC Insured		
Primary Institution	\$	250,000
CCBC Foundation		250,000
Separate Cash Account		54,807
Collateralized by securities pledged to a pooled public funds account with the Federal Reserve System		1,753,513
Uninsured deposits in excess of threshold		9,006
	<hr/>	<hr/>
		\$ 2,317,326

These deposits are in accordance with Act Number 72-1971 Session of the Commonwealth of Pennsylvania.

CCBC's investments at June 30, 2013 totaled \$611,685 and they were held by The Foundation.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND JUNE 30, 2013

NOTE D – RECEIVABLES AND PAYABLES

Receivables at December 31, 2013 were as follows:

	Accounts Receivable	Taxes	Due From Other Governments	Other	Total Receivables
Governmental Activities					
General Fund	\$ -	\$ 8,153,074	\$ 345,428	\$ 107,900	\$ 8,606,402
MH/ID	-	-	905,380	79,337	984,717
Children & Youth	-	-	1,411,774	2,600	1,414,374
Community Development	-	-	503,048	43,871	546,919
HealthChoices	-	-	611,400	28	611,428
Non-major Governmental Funds	-	-	2,507,301	186,123	2,693,424
	-	8,153,074	6,284,331	419,859	14,857,264
Allowance for Doubtful Accounts	-	(3,398,874)	-	-	(3,398,874)
Total - Governmental Activities	-	4,754,200	6,284,331	419,859	11,458,390
Business-type Activities					
Friendship Ridge	14,268,110	-	-	-	14,268,110
Allowance for Doubtful Accounts	(4,851,727)	-	-	-	(4,851,727)
Total - Business-type Activities	9,416,383	-	-	-	9,416,383
Primary Government Total	\$ 9,416,383	\$ 4,754,200	\$ 6,284,331	\$ 419,859	\$ 20,874,773
Component Units					
BCTA	\$ -	\$ -	\$ 5,316,728	\$ 39,696	\$ 5,356,424
CCBC	\$ 272,279	\$ -	\$ 709,741	\$ 683,088	\$ 1,665,108

Payables at December 31, 2013, consisted of amounts due to vendors, program providers, and grantees for goods, services, and grants.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND JUNE 30, 2013

NOTE E - INTERFUND BALANCES AND TRANSFERS

Interfund Balances

The County reports interfund balances among all of its funds. The balances for non-major governmental funds and proprietary funds are aggregated into a single column or row. The composition of interfund balances as of December 31, 2013, is as follows:

	Interfund Payable							Total Assets
	General Fund	Community Development	Health Choices	Non-Major Governmental	Internal Service Funds	Friendship Ridge		
General Fund	\$ -	\$ 248,482	\$ 194	\$ 1,180,603	\$ 314,283	\$ 5,358,000		\$ 7,101,562
Children & Youth	1,443,298	-	-	-	-	-		1,443,298
MH/ID	434,380	-	-	-	-	-		434,380
Non-Major Governmental	664,532	-	-	1,205	-	-		665,737
Internal Service Funds	15,212	-	-	-	-	715,129		730,341
Total Liabilities	<u>\$ 2,557,422</u>	<u>\$ 248,482</u>	<u>\$ 194</u>	<u>\$ 1,181,808</u>	<u>\$ 314,283</u>	<u>\$ 6,073,129</u>		<u>\$ 10,375,318</u>

Interfund Receivable

The following is a summary of the interfund payables and receivables outstanding at December 31, 2013:

- The General Fund's balance due to Children & Youth consists primarily of the net of quarterly County Match payments and Administration Expenses.
- The General Fund's balance due to MH/ID consists primarily of the quarterly County Match payments, balances due for accounts payable, and the single audit reimbursement.
- The General Fund's balance due to the Non-Major Governmental Funds consists of the Driving Under the Influence and Under Age Drinking Programs' revenue in excess of expenditures due to the Courtroom Improvement Fund and a short-term loan from the Capital Reserve Fund for \$500,000.
- The General Fund's balance due to the Internal Service Funds is for the County Workers' Compensation claims.
- Community Development's balance due to the General Fund is made up primarily of balances due for accounts payable and the single audit reimbursement.
- HealthChoices' balance due to the General Fund is made up primarily of the single audit reimbursement.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND JUNE 30, 2013

NOTE E - INTERFUND BALANCES AND TRANSFERS – (Continued)

Interfund Balances – Continued

- Non-Major Governmental Funds' balances due to the General Fund consist of the net of disbursements due from Tax Claim and a loan from Tax Claim, EMS and Hazardous Materials reimbursements, accounts payable, payroll, postage, and indirect cost payments.
- Non-Major Governmental Funds' balances due to Non-Major Governmental Funds is for expenses paid from the incorrect fund.
- The Internal Service Fund's balance due to the General Fund consists of balances due for accounts payable.
- Friendship Ridge's interfund balance due to the General Fund consists of Friendship Ridge's portion of the 2013 tax revenue anticipation note, a working capital loan, unemployment compensation for the 4th quarter of 2013, as well as balances due for payroll, and payments made on behalf of Friendship Ridge for the purchase of time clocks.
- Friendship Ridge's interfund balance due to the Internal Service Funds consists of payments for pharmacy and workers' compensation claims.

Interfund Transfers

Interfund transfers for the year ended December 31, 2013, consisted of the following:

Transfer To	Transfer From		
	General Fund	Non-Major Governmental	Total Assets
General Fund	\$ -	\$ 659,033	\$ 659,033
Children & Youth	1,550,419	-	1,550,419
MH/ID	692,966	-	692,966
Non-Major Governmental	1,061,211	-	1,061,211
Friendship Ridge	617,550	-	617,550
Total	<u>\$ 3,922,146</u>	<u>\$ 659,033</u>	<u>\$ 4,581,179</u>

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND JUNE 30, 2013

NOTE E - INTERFUND BALANCES AND TRANSFERS – (Continued)

Interfund Transfers - Continued

The following is a summary of transfers that occurred during the year ended December 31, 2013:

- The transfers from the General Fund to Children & Youth and MH/ID are for County Match payments.
- The transfer from the County's General Fund to Non-Major Governmental Funds consists of monies remaining in the Driving Under the Influence and Under Age Drinking Programs at December 31, 2013, that are transferred to the Courtroom Improvement Fund, and transfers to Domestic Relations and the Office on Aging related to County Match payments.
- The transfer from the County's General Fund to Friendship Ridge consists of in kind services that the General Fund provided for Friendship Ridge.
- The transfer from Non-Major Governmental Funds to the County's General Fund consists of the Offender's Supervisory Fund transferring funds to Adult Probation for various expenditures, a transfer from Childcare Choices for remaining funds, and a transfer from the Clerk of Courts Automation Fund.

NOTE F - LAND, BUILDINGS, IMPROVEMENTS AND EQUIPMENT

During 1996, the County contracted with an appraisal company to provide a detailed capital asset listing that included acquisition cost and acquisition year. The dates of acquisition and acquisition costs were either furnished by the County or estimated using reverse-trending techniques applied against the estimate of current replacement cost. The actual or estimated historical cost determined by the appraisal and transactions that occurred subsequent to the appraisal are reported in the government-wide Statement of Net Position.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND JUNE 30, 2013

NOTE F - LAND, BUILDINGS, IMPROVEMENTS AND EQUIPMENT – (Continued)

Depreciation and amortization was charged to functions as follows:

Governmental Activities	
General Government	\$ 1,601,012
Judicial	286,614
Public Safety	1,872,914
Public Works and Enterprise	1,191,649
Culture, Recreation, and Conservation	320,189
Human Services	451,833
Economic Development	6,836
Total	<u><u>\$ 5,731,047</u></u>

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND JUNE 30, 2013

NOTE F - LAND, BUILDINGS, IMPROVEMENTS AND EQUIPMENT – (Continued)

The following is a summary of changes in capital assets for governmental activities during 2013:

	Balance at January 1, 2013	Additions	Disposals & Transfers	Balance at December 31, 2013
Not being Depreciated:				
Land	\$ 1,757,554	\$ -	\$ -	\$ 1,757,554
Construction in Progress	<u>20,470,399</u>	<u>6,722,139</u>	<u>-</u>	<u>27,192,538</u>
	<u>22,227,953</u>	<u>6,722,139</u>	<u>-</u>	<u>28,950,092</u>
Other Capital Assets:				
Buildings and Improvements	86,534,467	12,363	-	86,546,830
Vehicles	3,727,313	689,555	(143,250)	4,273,618
Furniture and Equipment	21,686,218	921,760	(143,026)	22,464,952
Infrastructure	<u>36,916,846</u>	<u>149,169</u>	<u>-</u>	<u>37,066,015</u>
	<u>148,864,844</u>	<u>1,772,847</u>	<u>(286,276)</u>	<u>150,351,415</u>
Accumulated Depreciation:				
Buildings and Improvements	(30,325,720)	(2,088,742)	-	(32,414,462)
Vehicles	(2,556,370)	(391,028)	143,250	(2,804,148)
Furniture and Equipment	(13,712,327)	(1,980,003)	109,291	(15,583,039)
Infrastructure	<u>(10,744,427)</u>	<u>(1,271,274)</u>	<u>-</u>	<u>(12,015,701)</u>
	<u>(57,338,844)</u>	<u>(5,731,047)</u>	<u>252,541</u>	<u>(62,817,351)</u>
Net Other Capital Assets	<u>91,526,000</u>	<u>(3,958,200)</u>	<u>(33,735)</u>	<u>87,534,064</u>
Net Capital Assets	<u>\$ 113,753,953</u>	<u>\$ 2,763,939</u>	<u>\$ (33,735)</u>	<u>\$ 116,484,156</u>

The above assets as of December 31, 2013, include \$18,527,427 relating to capitalized leases and \$5,975,558 of associated accumulated amortization.

Capital assets' additions displayed above include donated assets amounting to \$558,447. These assets are not reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND JUNE 30, 2013

NOTE F - LAND, BUILDINGS, IMPROVEMENTS AND EQUIPMENT – (Continued)

Depreciation and amortization was charged to functions as follows:

Business-type Activities	
Friendship Ridge	\$ 1,560,574
Total	<u><u>\$ 1,560,574</u></u>

The following is a summary of changes in capital assets for Business-type Activities during 2013:

	Balance at January 1, 2013	Additions	Disposals & Transfers	Balance at December 31, 2013
Not being Depreciated:				
Land	\$ 42,075	\$ -	\$ -	\$ 42,075
Construction in Progress	174,494	5,763	-	180,257
	<u>216,569</u>	<u>5,763</u>	<u>-</u>	<u>222,332</u>
Other Capital Assets:				
Buildings and Improvements	16,128,460	-	-	16,128,460
Furniture and Equipment	34,160,869	48,539	-	34,209,408
	<u>50,289,329</u>	<u>48,539</u>	<u>-</u>	<u>50,337,868</u>
Accumulated Depreciation:				
Buildings and Improvements	(9,478,997)	(453,361)	-	(9,932,358)
Furniture and Equipment	(25,926,708)	(1,107,213)	-	(27,033,921)
	<u>(35,405,705)</u>	<u>(1,560,574)</u>	<u>-</u>	<u>(36,966,279)</u>
Net Other Capital Assets	<u>14,883,624</u>	<u>(1,512,035)</u>	<u>-</u>	<u>13,371,589</u>
Net Capital Assets	<u>\$ 15,100,193</u>	<u>\$ (1,506,272)</u>	<u>\$ -</u>	<u>\$ 13,593,921</u>

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND JUNE 30, 2013

NOTE F - LAND, BUILDINGS, IMPROVEMENTS AND EQUIPMENT - (Continued)

Component Unit- BCTA

The following is a summary of BCTA's property accounts as of June 30, 2013:

		Estimated Useful Lives
Land	\$ 3,573,967	N/A
Construction in Progress	856,845	N/A
Buildings and Improvements	16,609,357	30
Tangible Transit Operating Property	11,251,132	5-12
Furniture and Equipment	<u>1,630,897</u>	4-5
	<u>33,922,198</u>	
Less Accumulated Depreciation	<u>(16,430,602)</u>	
	<u>\$ 17,491,596</u>	

Depreciation expense for the year ended June 30, 2013, amounted to \$1,832,728.

Component Unit - CCBC

The following is a summary of CCBC's property accounts as of June 30, 2013:

		Estimated Useful Lives
Land	\$ 204,425	N/A
Land Improvements	747,863	20
Buildings and Improvements	46,599,865	25-50
Vehicles	251,942	8-10
Furniture and Equipment	<u>11,850,910</u>	5-20
	<u>59,655,005</u>	
Less Accumulated Depreciation	<u>(24,766,861)</u>	
	<u>\$ 34,888,144</u>	

Depreciation expense for the year ended June 30, 2013, amounted to \$1,767,598.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND JUNE 30, 2013

NOTE G - EMPLOYEE RETIREMENT PLAN

1. Plan Description

The County sponsors the Beaver County Employees' Pension Plan (the Plan), a single-employer, defined benefit pension plan covering substantially all of its employees. The Plan provides retirement, disability, and death benefits to plan members and their beneficiaries. Administration of the Plan is provided by the Beaver County Employees' Retirement Board (Retirement Board), consisting of the Board of County Commissioners, the County Controller, and the County Treasurer. Cost-of-living adjustments are provided at the discretion of the Retirement Board. Most administrative costs are paid by the Plan.

The Plan is established, administered, and funded under the authority of the "County Pension Law," Act 96 of 1971, as amended, enacted by the General Assembly of the Commonwealth of Pennsylvania. There is no stand-alone financial report of the Plan and the Retirement Board does not issue a public report including the Plan.

As of January 1, 2014, the date of the last available actuarial report, employee membership data related to the pension plan was as follows:

Retirees and Beneficiaries Currently Receiving Benefits	977
Terminated Employees not yet Receiving Benefits	95
	<u>1,072</u>
Active Plan Participants:	
Vested	961
Non-vested	342
	<u>1,303</u>

The Plan provides pension benefits for normal retirement at age sixty or at age fifty-five with twenty or more years of completed service. This is based on a formula including final average salary and years of credited service, in addition to the member's accumulated contribution to the Plan. Early retirement is available at an earlier age as specified by the Plan. Members become vested after five years of service.

2. Funding Policy, Annual Pension Cost, Net Pension Obligation and Contributions

The Plan requires participants to contribute 9% of their salary, with the option of voluntarily contributing up to an additional 10% of their earnings. All full-time and part-time employees expected to complete 1,000 hours of service in a twelve-month period when employed are required to participate in the Plan.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND JUNE 30, 2013

NOTE G - EMPLOYEE RETIREMENT PLAN - (Continued)

2. Funding Policy, Annual Pension Cost, Net Pension Obligation and Contributions - Continued

The Plan funding policy provides for periodic employer contributions at actuarially determined rates that are necessary to accumulate sufficient assets to pay benefits when due. The annual pension cost for 2013 was determined as part of an actuarial valuation as of January 1, 2013, using the entry age normal method.

The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations. However, the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In December 2005, the County issued the Federally Taxable General Obligation Pension Bond, Series of 2005, and in July 2009, the County issued the Federally Taxable General Obligation Pension Bonds, Series of 2009 (see Note J), to reduce volatility of future pension contributions. Because of this, the County carries an asset on its balance sheet equal to the actuarially determined remaining benefit of these proceeds.

The annual pension cost and net pension asset for the current year were as follows:

	Governmental Activities	Business-type Activities	Total
Annual Required Contribution	\$ 2,914,320	\$ 876,333	\$ 3,790,653
Interest on Net Pension Asset	(1,134,240)	(341,065)	(1,475,305)
Adjustment to the Annual Required Contribution	1,984,093	596,615	2,580,708
Annual Pension Cost	3,764,173	1,131,883	4,896,056
Less: Contributions Made	2,914,320	876,333	3,790,653
Decrease in Net Pension Asset	849,853	255,550	1,105,403
Net Pension Asset, Beginning of Year	(14,476,500)	(5,174,238)	(19,650,738)
Net Pension Asset, End of Year	\$ (13,626,647)	\$ (4,918,688)	\$ (18,545,335)

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND JUNE 30, 2013

NOTE G - EMPLOYEE RETIREMENT PLAN - (Continued)

2. Funding Policy, Annual Pension Cost, Net Pension Obligation and Contributions – Continued

Three-year Trend Information:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
December 31, 2013	\$ 4,896,056	77%	\$ (18,545,335)
December 31, 2012	\$ 4,512,955	73%	\$ (19,650,738)
December 31, 2011	\$ 3,516,537	65%	\$ (20,850,949)

The information presented above was determined as part of the actuarial valuations for the years indicated. The additional information is for all years presented unless otherwise indicated.

Actuarial Cost Method:	Entry age normal
Asset Valuation Method:	Greater of market value and actuarial value (as determined by Pennsylvania State Law, Act 44)
Actuarial Assumptions:	
Inflation Adjustment:	3%
Investment Rate of Return:	7.5%
Amortization Method :	Level percentage of projected payroll
Amortization Period :	30-year closed period for unfunded liability
Projected Salary Increase:	3.50% / 4.50%
Cost-of-Living Adjustment:	100% of CPI effective as of January 1, 2000
Mortality Tables:	1983 Group Annuity Mortality Table with no projected improvements prior to January 1, 2013; 2013 RP Annuitant and Non-Annuitant Mortality Tables for males and females with no projected improvements effective January 1, 2013.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND JUNE 30, 2013

NOTE G - EMPLOYEE RETIREMENT PLAN - (Continued)

3. Funded Status and Funding Progress

The funded status as of January 1, 2014, which is the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) (AAL)	Actuarial Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2014	\$ 294,931,189	\$ 283,828,734	\$ 11,102,455	103.9%	\$ 57,418,993	19.3%

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

4. Reserves

Under Act 96 of 1971, the Plan is required to maintain the following reserves:

Member Annuity Reserve Account: This reserve represents the total contributions deducted from the salaries of the active and terminated vested members of the retirement system together with accumulated interest additions. At January 1, 2014, the balance in this account was \$83,345,976 and it was fully funded.

County Annuity Reserve Account: This account represents the reserves set aside for the payment of the County's share of the retirement allowances. When a retirement annuity is scheduled to commence, sufficient monies are transferred from the County Annuity Reserve Account to the Retired Members' Reserve Account to provide for such an annuity. As of January 1, 2014, the balance in this account was \$45,614,522.

Retired Members' Reserve Account: This is the account from which monthly retirement allowances, including cost-of-living increases and death benefits, are paid. As of January 1, 2014, the balance in this account amounted to a fully funded \$88,098,067.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND JUNE 30, 2013

NOTE G - EMPLOYEE RETIREMENT PLAN - (Continued)

Component Unit - CCBC

CCBC participates in a cost sharing defined benefit multiple-employer Public School Employees' Retirement System (PSERS) established under and administered by the authority of the Public School Employees' Retirement Code Act No. 96 of October 2, 1975, as amended (24 Pa. C.S. 8101-8535). PSERS is a component unit of the Commonwealth of Pennsylvania. A brief summary of the plan's provisions are as follows:

- Pension Benefits -** Eligible participants are entitled to a normal retirement allowance totaling 2.5% of the participants' final average compensation, as defined, multiplied by the number of years of credited service. The defined benefit for a participant leaving employment before attaining retirement age but completing five years is vested and early retirement benefits may be elected. The plan provides for retirement, death and disability benefits, legislatively mandated ad hoc cost-of-living adjustments, and healthcare insurance premium assistance to qualifying annuitants.
- Retirement Age -** Participants may retire with normal benefits at age sixty-two, age sixty with thirty or more years of service, or with thirty-five years of service regardless of age.
- Death Benefits -** When a participant dies in active service after attaining age sixty-two or ten years of service, the beneficiary is entitled to a death benefit equal to the benefit which would have been effective if the member retired on the day before death.
- Disability Benefits -** A participant who becomes disabled after completing five years of credited service is eligible for an annuity totaling 2.5% of the final average salary, as defined, multiplied by the number of years of credited service, but not less than one-third of such salary, nor greater than the benefit the member would have had at normal retirement age.

The employer and employee obligations to contribute are established by authority of the aforementioned Public School Employees' Retirement Code and require contributions by active members, participating employers, and the Commonwealth.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND JUNE 30, 2013

NOTE G - EMPLOYEE RETIREMENT PLAN - (Continued)

Component Unit – CCBC – Continued

Contributions required of employers are based upon an actuarial valuation. For the fiscal year ended June 30, 2013, the rate of employer contribution was 12.36% of covered payroll. This rate is comprised of a 0.86% rate for health insurance premium assistance and a pension contribution rate of 11.50%.

Pension expense for CCBC for the year ended June 30, 2013, totaled \$91,203 based on a total covered payroll of \$1,487,918. Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Member Class TC) or at 6.5% (Member Class TD) of the member's qualifying compensation. Members who joined the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Member Class TC) or at 7.5% (Member Class TD) of the member's qualifying compensation. Members who joined the System after June 30, 2001, contribute at 7.5% (automatic Member Class TD). For all new hires and for members who elected Class TD membership, the higher contribution rates began with service rendered on or after January 1, 2002. Members who joined the System after June 30, 2011 contribute at 7.5% (Member Class TE) or at 10.3% (Member Class TF). CCBC employees contributed \$109,409 to the PSERS for the year ended June 30, 2013.

The PSERS issues a comprehensive annual financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to Diane J. Wert, Office of Financial Management and Budget, Public School Employees' Retirement System, P.O. Box 125, Harrisburg, PA 17108-0125.

This publication is also available on the PSERS website at:
<http://www.psers.state.pa.us/publications/general/cafr.htm>.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND JUNE 30, 2013

NOTE H - DEFERRED COMPENSATION PLAN

The County offers its employees a deferred compensation plan established in accordance with Internal Revenue Code Section 457. The Beaver County, PA Deferred Compensation Plan No. 638001 (the Plan), a single employer defined contribution plan, is available to substantially all County employees, and it enables them to defer a portion of their compensation for future years. The Plan's administrator is Rivers Edge and for the year ended December 31, 2013, total employee contributions amounted to \$383,664. There were no employer contributions for this same period. Participation in the Plan is optional. The deferred compensation is not available for withdrawal until termination, retirement, death or an unforeseeable emergency. During 1997, the County placed all assets of the Plan in a custodial account. As a result, and in accordance with GASB Statement No. 32, the Plan's assets have been removed from the County's Agency Fund.

Component Unit – BCTA

BCTA maintains two Simplified Employees' Pension Plans, a type of single-employer defined contribution plan, for salaried and hourly employees. BCTA is the plans' administrator and it agrees to contribute annually a percentage of the participants' salaries, but not exceeding the federally mandated maximum for such plans. All full-time employees who earn at least \$450 in any three of the last five calendar years are eligible to participate in the plans. Participants are not required to contribute to the plans. BCTA's contributions amounted to approximately \$137,476 for the year ended June 30, 2013.

Component Unit - CCBC

CCBC established a Teachers Insurance and Annuity Association/College Retirement Equities Fund (TIAA-CREF), under Section 403 (b) of the Internal Revenue Code, for eligible employees. This TIAA-CREF is a single-employer defined contribution plan administered by CCBC. Under the plan, individual contracts are entered into for covered employees. Employees are fully vested, and the contract fully funded, in accordance with the terms of the contract. Employee contributions are 5% of covered compensation. Employer contributions vary according to compensation levels and the employees' position at CCBC. During the year ended June 30, 2013, CCBC contributed \$652,648 to this retirement plan.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND JUNE 30, 2013

NOTE I – SHORT-TERM DEBT

On January 2, 2013, the County entered into a tax revenue anticipation note agreement with a financial institution for the purpose of meeting current expenditures. The note provided for borrowings of \$10,000,000 bearing interest at 1.40% per annum. From these proceeds, \$4,600,000 was transferred to Friendship Ridge. Friendship Ridge did not repay their share of its outstanding principal and accrued interest; however the County paid the remaining principal and accrued interest on December 3, 2013, prior to the note's maturity date.

Beginning Balance at January 1, 2013	Borrowings	Repayments	Ending Balance at December 31, 2013
\$ -	10,000,000.00	(10,000,000.00)	\$ -

Component Unit - BCTA

BCTA maintains two \$500,000 demand lines of credit with a financial institution. One credit facility is restricted to purposes of the Medical Assistance Transportation Program. The terms of the agreements call for interest to be charged based on a percentage of prime rate on any outstanding balance. There are no outstanding balances as of June 30, 2013.

Component Unit - CCBC

On August 21, 2009, CCBC entered into a working capital line of credit note for \$1,500,000. The terms of the note call for a per annum rate of interest equal to the London Interbank Offering Rate plus 150 basis points. The general revenues of CCBC serve as collateral on this note. There is no outstanding balance on this line of credit as of June 30, 2013.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND JUNE 30, 2013

NOTE J - LONG-TERM LIABILITIES

The following summarizes the long-term debt activity for the year ended December 31, 2013:

	Interest Rate	Issued	Maturity	Balance January 1, 2013	Additions	Reductions	Balance December 31, 2013	Due Within One Year
<u>Governmental Activities</u>								
<u>General Obligation Bonds</u>								
Series A of 2007	3.65-4.30	11/17/2007	11/01/2024	\$ 5,951,055	\$ -	\$ (5,951,055)	\$ -	\$ -
Series of 2009 Notes	2.50-5.55	02/12/2009	11/15/2031	65,282,497	-	(1,688,285)	63,594,212	1,740,598
				<u>71,233,552</u>	<u>-</u>	<u>(7,639,340)</u>	<u>63,594,212</u>	<u>1,740,598</u>
<u>Other General Long-Term Liabilities</u>								
Pension Bond of 2005	4.75-5.65	12/22/2005	12/15/2030	11,905,000	-	(410,000)	11,495,000	430,000
PFA Series A of 2005	3.75-5.60	05/27/2005	10/01/2029	2,645,000	-	(100,000)	2,545,000	105,000
PFA Series B of 2006	5.25-5.40	09/28/2006	10/01/2013	110,000	-	(110,000)	-	-
Pension Bond of 2009	3.86-6.50	07/08/2009	05/15/2032	9,545,000	-	(12,500)	9,532,500	15,000
DCED General Obligation Note	1.00	08/01/2011	07/01/2021	50,494	-	(5,654)	44,840	5,711
PFA Series of 2012	2.00-4.00	10/01/2012	10/01/2031	7,823,208	-	(990,843)	6,832,365	1,790,286
PFA Series of 2013	0.70-2.60	05/15/2013	11/15/2024	-	7,242,185	(125,400)	7,116,785	125,400
				<u>32,078,702</u>	<u>7,242,185</u>	<u>(1,754,397)</u>	<u>37,566,490</u>	<u>2,471,397</u>
Discount				<u>(1,257,411)</u>	<u>(44,638)</u>	<u>163,460</u>	<u>(1,138,589)</u>	<u>-</u>
<u>Total Governmental Activities</u>								
				<u>\$ 102,054,843</u>	<u>\$ 7,197,547</u>	<u>\$ (9,230,277)</u>	<u>\$ 100,022,113</u>	<u>\$ 4,211,995</u>

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND JUNE 30, 2013

NOTE J - LONG-TERM LIABILITIES – (Continued)

	Interest Rate	Issued	Maturity	Balance January 1, 2013	Additions	Reductions	Balance December 31, 2013	Due Within One Year
<u>Business-type Activities</u>								
<u>General Obligation Bonds</u>								
Series of 1998	3.45-4.25	11/15/1998	01/15/2013	\$ 570,000	\$ -	\$ (570,000)	\$ -	\$ -
Series B of 2003	1.15-3.20	07/01/2003	07/01/2013	155,000	-	(155,000)	-	-
Series A of 2007	3.65-4.30	11/17/2007	11/01/2024	3,003,945	-	(3,003,945)	-	-
Series of 2009 Notes	2.50-5.55	02/12/2009	11/15/2031	3,387,503	-	(86,715)	3,300,788	89,402
				7,116,448	-	(3,815,660)	3,300,788	89,402
<u>Other General Long-Term Liabilities</u>								
Pension Bond of 2009	3.86-6.50	07/08/2009	05/15/2032	9,545,000	-	(12,500)	9,532,500	15,000
PFA Series of 2012	2.00-4.00	10/01/2012	10/01/2031	301,792	-	(54,156)	247,636	129,714
PFA Series of 2013	0.70-2.60	05/15/2013	11/15/2024	-	3,107,815	(64,600)	3,043,215	64,600
				9,846,792	3,107,815	(131,256)	12,823,351	209,314
Discount				(365,957)	(19,155)	112,743	(272,369)	-
Total Business-type Activities				\$ 16,597,283	\$ 3,088,660	\$ (3,834,173)	\$ 15,851,770	\$ 298,716

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND JUNE 30, 2013

NOTE J - LONG-TERM LIABILITIES – (Continued)

The following is a brief description of the outstanding debt issues of the County:

Governmental

Series A of 2007

During November 2007, the County issued \$9,000,000 in General Obligation Bonds, Series A of 2007, to fund various capital projects throughout the County. As yearly budgets are drafted, the obligation to repay this issue between the Governmental Activities and Friendship Ridge may vary from year to year. During 2011 the allocation of bond proceeds and repayment amounts between Friendship Ridge and Governmental Activities were adjusted.

Interest is paid annually at coupon rates ranging from 3.65% to 4.30%. The bonds mature in installments beginning in 2008 and ending in 2024.

This issue has been refinanced in 2013 by means of an advance refunding as detailed further below. As of December 31, 2013, \$8,930,000 of this defeased issue remains outstanding.

Series of 2009 Notes

In 1997, the County issued \$61,060,000 of General Obligation Bonds, Series of 1997 (the 1997 Bonds), for the purpose of refunding the General Obligation Bonds, Series of 1996. On November 1, 2007, the County issued \$59,200,000 in General Obligation Bonds, Series B of 2007 (the 2007 Bonds), which were used to defease the then remaining balance of the 1997 Bonds. The amount of debt refinanced and considered defeased as a result of this issuance was \$58,125,000. The interest on these bonds was variable and paid monthly as determined by a third party with the purpose of aligning the bonds' interest rate to market conditions. All of the 1997 Bonds previously defeased have been redeemed on or prior to December 31, 2012.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND JUNE 30, 2013

NOTE J - LONG-TERM LIABILITIES – (Continued)

Series of 2009 Notes – (Continued)

On February 12, 2009, the County issued \$72,685,000, of General Obligation Notes, Series of 2009 at a discount of \$1,117,031, for the purpose of refunding the 2007 Bonds, terminating the 2006 Swap Agreement, and to finance various capital projects. From the proceeds of the issuance, approximately \$58.7 million was for the refunding of the 2007 Bonds, \$6.9 million was for the termination of the Swap Agreement, and \$4.8 million was for capital projects of the County. Interest is payable in semi-annual payments ranging in rates from 2.50% to 5.55%. Mandatory bond sinking fund payments, from \$600,000 to \$8,150,000 installments, take effect in 2010 and continue through bond maturity on November 15, 2031. This debt issue is also shared with Friendship Ridge. As of December 31, 2013, all of the defeased 2007 Bonds have been redeemed.

Pension Bond of 2005

On December 22, 2005, the County issued \$13,675,000 of Federally Taxable General Obligation Pension Bonds, Series of 2005, with the intent of reducing volatility in annual required contributions to the County's retirement system. The proceeds of these bonds, net of issuance costs and discounts, were contributed to the County retirement system's trust fund. Interest is payable semi-annually in a range of rates between 4.75% and 5.65% per annum. Principal matures in installments starting in 2007 and throughout 2030. Principal payments range from \$320,000 to \$1,005,000. Mandatory bond sinking fund requirements take place for principal maturities after December 25, 2015.

PFA Series A of 2005

The County entered into a loan agreement with the PFA on May 27, 2005, in the amount of \$3,240,000. The majority of these proceeds were granted to a local performing arts center for construction purposes. The County's payments under this loan agreement equal the debt service requirements on the PFA's Federal Taxable Guaranteed Revenue Bonds, Series A of 2005, of which the County is a guarantor. The annual interest rates range from 3.75% through 5.60%. Mandatory bond sinking fund requirements for certain principal redemptions take effect starting in 2008. Effective October 1, 2015, and thereafter, the County has the right to extinguish any or all debt outstanding through this loan agreement with the PFA.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND JUNE 30, 2013

NOTE J - LONG-TERM LIABILITIES – (Continued)

PFA Series A & B of 2006

During September 2006, the County entered into a loan agreement with the PFA for \$5,360,000. Net proceeds of this loan were used for a combination of current and advance refundings that resulted in an in-substance defeasance of the following portions of long-term debt previously recorded by the County:

Debt Issue	Amount Refunded	Recorded In
1997 Bonds	\$ 2,145,000	Governmental Activities
Series A of 2003	\$ 1,100,000	Governmental Activities
Series B of 2003	\$ 265,000	Business-type Activities

The refunding also satisfied interest payments of \$1,714,155 associated with the defeased debt. The County's payments under this loan agreement equal the debt service requirements on the PFA's County of Beaver Guaranteed Revenue Bonds, Series A of 2006 (the PFA Series A of 2006), as well as the PFA's Federally Taxable County of Beaver Guaranteed Revenue Bonds, Series B of 2006 (the PFA Series B of 2006), in addition to periodic charges in terms of bond administration fees. The County guarantees payments under both series issued by the PFA. The yearly interest rates for this loan range from 3.70% to 5.40%. All defeased debt under these issues was extinguished on or prior to December 31, 2010. The PFA Series A of 2006 was defeased through a current refunding in 2012 as further described below. The PFA Series B of 2006 reached its final maturity during 2013.

Pension Bond of 2009

On July 8, 2009, the County issued \$19,135,000 of Federally Taxable General Obligation Pension Bonds, Series of 2009, at a discount of \$622,028, with the intent of reducing volatility in annual required contributions to the County's retirement system. The proceeds of these bonds, net of issuance costs and discounts, were contributed to the County retirement system's trust fund. The County allocated one half of this obligation to its governmental activities and the other half to Friendship Ridge. Interest is payable semi-annually in a range of rates between 3.86% and 6.50% per year. Mandatory bond sinking fund payments, ranging from \$5,000 to \$10,825,000, take effect in 2010 and continue through bond maturity on November 15, 2032.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND JUNE 30, 2013

NOTE J - LONG-TERM LIABILITIES – (Continued)

DCED General Obligation Note

The County entered into a loan agreement as the maker of a general obligation note with the Commonwealth Finance Authority for \$58,403 to finance a portion of the expenses related to upgrading the lighting around the courthouse and magistrate offices. The interest rate is fixed at 1.00% per year. Payments began in August 2011 and will continue in monthly installments ranging from \$461 to \$560 through maturity in July 2021.

PFA Series of 2012

On May 1, 2012, the County executed two agreements with the PFA to refinance several debt obligations of the County, including Friendship Ridge. This generated the issuance of the Pennsylvania Finance Authority, County of Beaver Guaranteed Revenue Bonds, Series of 2012 (the “PFA Series of 2012”), at a face value of \$15,670,000.

The debt refundings that took place are hereby depicted:

	Governmental Activities	Friendship Ridge
Issuance of debt - face value	\$ 7,958,208	\$ 301,792
Current refunding payments:		
Series A of 2005	(1,726,413)	-
PFA Series A of 2006	(3,040,135)	(290,970)
PFA 2006 Bonds	(3,029,155)	-

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND JUNE 30, 2013

NOTE J - LONG-TERM LIABILITIES – (Continued)

PFA Series of 2012 – (Continued)

Additionally, \$7,410,000 of the PFA Series of 2012 was applied to refinance the Human Services Building Lease (see below) and \$217,143 remaining in proceeds was placed in the governmental Capital Bond fund restricted for purposes of capital assets investment. Debt proceeds available for refunding and capital projects were reduced by an original issue discount of \$35,127 and issuance costs of \$218,576. The refunding of the Series A of 2005, the PFA Series A of 2006, and the PFA 2006 Bonds generated \$523,660 in combined debt service savings over the repayment span of the PFA Series of 2012 and the transaction yielded an economic gain of \$353,084 for the governmental activities. A deferred amount on refunding of \$126,390 has been recognized for the governmental activities, which, as of December 31, 2013, is recorded in the government-wide Statement of Net Position with a balance of \$92,516. Amortization of this amount is recorded yearly as interest expense. Interest on this issue is payable semiannually at annual rates from 2.0% to 4.0%. Debt service payments started in October 2012 and end in October of 2025. Payments to satisfy the lease portion under the PFA Series of 2012 continue until October 2031. Combined yearly principal maturities range from \$360,000 to \$2,225,000. Mandatory bond sinking fund payments start in the year 2023. The bonds maturing after April 1, 2022, can be redeemed early at the option of the PFA upon the written direction of the County.

PFA Series of 2013

In March of 2013, the County executed an agreement with the PFA to refinance the General Obligation Bonds, Series A of 2007, a debt obligation of the County, including Friendship Ridge. This generated the issuance of the Pennsylvania Finance Authority, County of Beaver Guaranteed Revenue Bonds, Series of 2013 (the “PFA Series of 2013”), at a face value of \$10,350,000. The advance refunding was accomplished by placing \$9,661,258 in a third-party trust fund. This resulted in a net economic gain of \$76,003 and net cash flow savings of \$435,935 over the term of the PFA Series of 2013, both recognized in total for the County. A total deferred amount on refunding of \$898,782 has been recognized as well. At December 31, 2013, the governmental activities recorded \$681,111 and the business-type activities recorded \$149,333 as unamortized deferred amount on refunding for this issue in the government-wide Statement of Net Position. Amortization of this amount is recorded yearly as interest expense. Interest is paid semiannually at annual coupon rates ranging from 0.7% to 2.6%. The bonds mature in annual installments ranging from \$190,000 to \$1,490,000 beginning in 2013 and ending in 2024. Early redemption of the bonds is permitted starting in November 2021 as an option of the County.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND JUNE 30, 2013

NOTE J - LONG-TERM LIABILITIES – (Continued)

Business-type

Series of 1998

In November 1998, the County issued \$6,250,000 of General Obligation Bonds, Refunding Series of 1998, for the purpose of refunding the General Obligation Bonds, Series of 1996, Geriatric Center (a series distinct from the Series of 1996 mentioned above). None of this defeased debt remains outstanding. These bonds matured annually in various lots through 2013. Interest is paid semi-annually at rates ranging from 3.45% to 4.25% per annum.

Series B of 2003

During 2003, the County issued \$1,405,000 of General Obligation Bonds, Series B of 2003, with interest rates ranging from 1.15 % to 3.20%, to fund capital projects at Friendship Ridge. These bonds matured in annual lots from 2003 through 2013.

Series A of 2007 / Pension Bond of 2009 / Series of 2009 Notes / PFA Series of 2012 / PFA Series of 2013

These bond issuances were split between Friendship Ridge and the governmental activities. See the preceding governmental bond descriptions for details of these bond issues. The Series A of 2007 has been defeased in 2013 by means of an advance refunding as further detailed above.

Changes in the rate of interest payable on the various outstanding bonds are determined by the applicable bond indentures.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND JUNE 30, 2013

NOTE J - LONG-TERM LIABILITIES – (Continued)

The aggregate amount of debt service requirements during the next five years and thereafter is as follows:

	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 4,211,995	\$ 4,933,310	\$ 298,716	\$ 858,832	\$ 4,510,711	\$ 5,792,142
2015	4,290,760	4,813,816	350,010	852,388	4,640,770	5,666,204
2016	3,482,507	4,687,682	403,320	843,855	3,885,827	5,531,537
2017	3,601,549	4,570,717	409,339	833,981	4,010,888	5,404,698
2018	3,721,800	4,449,231	414,148	826,176	4,135,948	5,275,407
2019-2023	20,679,154	19,933,180	2,486,542	3,970,384	23,165,696	23,903,564
2024-2028	32,994,093	14,148,263	1,515,907	3,558,883	34,510,000	17,707,146
2029-2033	28,178,844	3,906,882	10,246,156	2,253,206	38,425,000	6,160,088
	101,160,702	61,443,081	16,124,138	13,997,705	117,284,840	75,440,786
Unamortized Premium/Discount	(1,138,589)	1,138,589	(272,370)	272,370	(1,410,959)	1,410,959
	<u>\$ 100,022,113</u>	<u>\$ 62,581,670</u>	<u>\$ 15,851,768</u>	<u>\$ 14,270,075</u>	<u>\$ 115,873,881</u>	<u>\$ 76,851,745</u>

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND JUNE 30, 2013

NOTE J - LONG-TERM LIABILITIES - (Continued)

The following summarizes other long-term obligation activity for the year ended December 31, 2013:

	Balance January 1, 2013	Additions	Reductions	Balance December 31, 2013	Due Within One Year
<u>Governmental Activities</u>					
Capital Lease Obligations	\$ 16,241,559	\$ 266,409	\$ (390,496)	\$ 16,117,472	\$ 366,223
Compensated Absences	1,082,517	219,481	(151,199)	1,150,799	228,967
Early Termination Benefits	312,261	-	(123,789)	188,472	96,622
	<u>17,636,337</u>	<u>485,890</u>	<u>(665,484)</u>	<u>17,456,743</u>	<u>691,812</u>
<u>Business-type Activities</u>					
Early Termination Benefits	436,527	-	(164,978)	271,549	145,692
	<u>436,527</u>	<u>-</u>	<u>(164,978)</u>	<u>271,549</u>	<u>145,692</u>
Total County-wide	<u>\$ 18,072,864</u>	<u>\$ 485,890</u>	<u>\$ (830,462)</u>	<u>\$ 17,728,292</u>	<u>\$ 837,504</u>

Typically, long-term liabilities reported by governmental activities, other than those arising from the issuance of bonds or other long-term debt agreements, are liquidated by the funds incurring such liabilities.

Capital Lease Obligations

The County has recorded the following leased assets in the government-wide Statement of Net Position:

	Governmental Activities	Business-type Activities
Land	\$ 392,984	\$ -
Buildings	17,504,086	-
Equipment	630,357	-

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND JUNE 30, 2013

NOTE J - LONG-TERM LIABILITIES - (Continued)

Capital Lease Obligations - Continued

Human Services Building Lease

The County entered into a lease agreement with the PFA during 2002. The lease is for a building to consolidate office locations of the County's Human Services agencies. Construction of this building was financed by the PFA's issue of \$7,865,000 Guaranteed Lease Revenue Bonds, Series A of 2002. The County is the guarantor of this bond issue and of the minimum lease payments over the lease term. The monthly payment under this lease amounts to approximately \$44,000 through September 2031. The County shall have the right to acquire title to the property for no additional consideration at the earlier of the expiration of the lease or when the bond issue related to the financing of this building is no longer outstanding. This lease agreement was amended effective October 15, 2006, as a consequence of the refunding of the PFA's Guaranteed Lease Revenue Bonds, Series A of 2002, and again on May 1, 2012, through a portion of the PFA Series of 2012 issue. The amended lease payments cover the debt service on \$7,410,000 of the PFA Series of 2012, which the County guarantees. All other lease terms remain unchanged.

The outstanding balance of this capital lease obligation at December 31, 2013, is approximately \$6,070,000. This amount is recorded as a liability in the Statement of Net Position, Governmental Activities. The difference between the recorded amount and the face value of the issued debt consists of retired maturities on the lease and an amount treated as future interest costs when accounting for capital leases. The agreement also requires the County to pay for bond maintenance fees, real estate taxes, and other miscellaneous lease-related charges.

Community Development Building Lease

A second lease agreement was entered into in 2002 between the County and the city of Beaver Falls. The lease is for a building to house the Community Development Program of Beaver County and a parking lot. The outstanding balance of this capital lease obligation at December 31, 2013, is approximately \$296,000. Payments under this lease are due every three months at \$8,000 each, for a term ranging through September 2026. The building's title transfers to the County upon expiration of the lease at no additional cost.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND JUNE 30, 2013

NOTE J - LONG-TERM LIABILITIES - (Continued)

Capital Lease Obligations - Continued

Land

A land lease for the aforementioned Human Services building and related parking facilities is in effect with the PFA. The lease calls for monthly payments through September 2026, amounting to a total principal of approximately \$267,000 remaining as of December 31, 2013. Payments are due monthly at \$2,400 each. The County acquires title to the land upon expiration of the lease at no additional cost.

Conservation Building Lease

On May 15, 2005, the County entered into an agreement of lease and sublease with the PFA for a building known as the Conservation Building. The County received \$700,000 from the PFA as a prepayment of its lease obligation. The agreement further provides for the County to sublease the Conservation Building from the PFA. The outstanding balance of this sublease at December 31, 2013, amounts to approximately \$640,000 with semiannual installments ranging from \$2,006 to \$77,006. Any or all payments due on or after October 2015 may be prepaid at the option of the County. In addition, the County has leased this facility to another party. This transaction was recorded by the County as a disposal. Payments under this lease approximate the PFA's debt service requirements on its Federally Taxable Guaranteed Revenue Bonds, Series B of 2005. The County guarantees the payment of this bond issue.

911 Center Lease

The County entered into a capital lease agreement with the Beaver County Economic Development Authority in November 2008 for the acquisition of land and construction of a building to house the Beaver County 911 Center. This lease began in November 2008 and will continue through February 2025. A bargain purchase option is available to the County at the end of the lease term. The construction of the building was completed in 2009. The outstanding balance of this capital lease obligation at December 31, 2013, is approximately \$9,200,000. Semi-annual installments ranging from \$589,000 to \$1,531,875 are made on this obligation and they will continue through February 2025.

Equipment Leases

The County entered into a capital lease agreement in 2006 for a motorcycle for the Sheriff's department at a cost of \$100 per month. This lease was previously unrecorded. The outstanding principal at December 31, 2013, on this lease is around \$13,500.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND JUNE 30, 2013

NOTE J - LONG-TERM LIABILITIES - (Continued)

Capital Lease Obligations – Continued

Equipment Leases – Continued

Beginning in 2009, the County entered into a capital lease agreement for computer software upgrades to be used in various County departments. This lease began in February 2009 and it will continue through June 2014. A bargain purchase option is available to the County at the end of the lease term. The outstanding balance of this lease at December 31, 2013, amounts to approximately \$2,700 with monthly installments of \$457.

Also in 2009, the County entered into a capital lease agreement for computer software to be used throughout the County's facilities. This lease began in June 2009 and it continued through July 2013. The County exercised a bargain purchase option which was available at the end of the lease term.

In 2010, the County entered into a capital lease agreement for computer micro-towers and software licenses to be used throughout the County's facilities. This lease began in August 2010 and it will continue through August 2014. The outstanding balance of this lease at December 31, 2013, amounts to approximately \$31,600 with monthly installments due of \$4,033.

In June 2012, the County entered into a capital lease agreement for computer software and hardware to be used throughout the County's facilities. This lease will continue through June 2016. The outstanding balance of this lease at December 31, 2013, amounts to approximately \$56,200 with annual installments of roughly \$30,000.

The County entered into a capital lease contract in 2013 for additional computer hardware and software to be used throughout the County's facilities. The lease began in June 2013 and it will continue through June 2016. A bargain purchase option is available to the County at the end of the lease term. The outstanding balance of this lease at December 31, 2013, amounts to approximately \$59,400 with yearly installments payable of \$22,631.

The County entered into a capital lease arrangement for six new vehicles dedicated to the Sheriff's department, for a lease term of forty-eight months, for a total amount financed of \$165,029 plus interest at an annual rate of 5.70%. The outstanding principal balance on this lease at December 31, 2013, is nearly \$120,000.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND JUNE 30, 2013

NOTE J - LONG-TERM LIABILITIES - (Continued)

Capital Lease Obligations – Continued

The following schedule summarizes future minimum lease payments due:

	Governmental Activities			Total Minimum Lease Payments
	Buildings	Land	Other	
2014	\$ 1,199,456	\$ 28,800	\$ 133,119	\$ 1,361,375
2015	1,201,958	28,800	98,113	1,328,871
2016	2,088,548	28,800	68,580	2,185,928
2017	2,089,998	28,800	1,200	2,119,998
2018	2,087,453	28,800	1,200	2,117,453
2019-2023	10,446,790	144,000	6,000	10,596,790
2024-2028	5,527,103	79,200	6,000	5,612,303
2029-2033	1,581,764	-	6,000	1,587,764
2034-2038	-	-	3,600	3,600
	26,223,070	367,200	323,812	26,914,082
Less: Interest	(10,660,123)	(100,623)	(35,864)	(10,796,610)
Present Value	<u>\$ 15,562,947</u>	<u>\$ 266,577</u>	<u>\$ 287,948</u>	<u>\$ 16,117,472</u>

The interest rates used to calculate the amount representing interest costs were obtained from the individual lease agreements. The blended interest rate for governmental activities was approximately 4.5%.

Minimum lease payment amounts due within one year are reported as follows in the government-wide Statement of Net Position:

	Buildings	Land	Equipment	Total Minimum Lease Payments
2014 Payment	\$ 1,199,456	\$ 28,800	\$ 133,119	\$ 1,361,375
Less: Interest	(967,353)	(13,352)	(14,447)	(995,152)
Present Value	<u>\$ 232,103</u>	<u>\$ 15,448</u>	<u>\$ 118,672</u>	<u>\$ 366,223</u>

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND JUNE 30, 2013

NOTE J - LONG-TERM LIABILITIES - (Continued)

Summary

	Governmental Activities	Business-type Activities
Due within one year:		
Obligations under bond issuances	\$ 4,211,995	\$ 298,716
Obligations under capital leases	366,223	-
Compensated absences	228,967	-
Early termination benefits	<u>96,622</u>	<u>145,692</u>
Total	<u>\$ 4,903,807</u>	<u>\$ 444,408</u>
Due in more than one year:		
Obligations under bond issuances	\$ 96,948,705	\$ 15,825,423
Less: Bond Discount	(1,138,589)	(272,369)
Obligations under capital leases	15,751,249	-
Compensated absences	921,832	-
Early termination benefits	<u>91,850</u>	<u>125,857</u>
Total	<u>112,575,047</u>	<u>15,678,911</u>

Certain bond issuances of the County are subject to federal arbitrage regulations. The County does not believe that it is in violation of these arbitrage regulations. Additionally, Beaver County is subject to certain provisions of the Local Government Unit Debt Act of the Commonwealth of Pennsylvania which limits the amount of debt that the County can issue. As of December 31, 2013, the County's legal debt margin is approximately \$103 million for non-electoral debt and approximately \$210 million for non-electoral and lease rental debt combined.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND JUNE 30, 2013

NOTE J - LONG-TERM LIABILITIES - (Continued)

Liquidation of Long-term Liabilities

All outstanding long-term liabilities related to governmental activities have historically been liquidated as follows:

- Long-term debt, other than what is identified below, has been completely liquidated by the General Fund.
- Capital lease obligations have been liquidated by the funds that realize the benefit of the financed asset.
- The Human Services Building and land leases have been liquidated by the following funds: Mental Health / Intellectual Disabilities, Children & Youth, Childcare Resource Management, and Office on Aging.
- The 911 Center lease is paid through the Emergency Management Services Agency of the County, which is part of the General Fund.
- The Community Development Building and related parking lot lease has been fully liquidated by the Community Development Fund.
- All computer leases have been fully liquidated by the General Fund.
- Compensated absences have been liquidated according to the following chart. The amount paid by each fund is based on benefits earned by the employees of that fund.

Fund	Liquidation %
General Fund	66%
Mental Health / Intellectual Disabilities	13%
Children & Youth	10%
Other Governmental Funds	11%

- Early termination benefits have been mostly liquidated by the General Fund.

All business-type long-term liabilities have been liquidated by Friendship Ridge.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND JUNE 30, 2013

NOTE J - LONG-TERM LIABILITIES - (Continued)

Component Unit – CCBC

Outstanding Debt Issuances

On April 30, 2009, CCBC borrowed \$1,500,000 from PNC Bank (formerly National City Bank) in the form of a Revenue Note in order to finance computer network infrastructure improvements and upgrades to its telecommunication system. The terms of the note call for monthly payment of principal and interest of \$26,982 for a period of five years at an interest rate of 3%. The note is scheduled to mature on April 30, 2014. The equipment purchased serves as collateral on the note.

In August of 2012, the Pennsylvania Finance Authority issued \$2,890,000 in College Revenue Bonds – Series of 2012. The bonds were issued to refund the outstanding amount of Community College Revenue Bonds – Series of 1998, and to pay for the costs of issuing the bonds. In connection with the issuance of the bonds, the Authority entered into a loan agreement with CCBC, whereby the Authority will loan the proceeds of the bonds to the College. The loan agreement requires CCBC to make loan repayments to the Authority in an amount sufficient to pay the debt service requirements of the bonds. The obligation of CCBC under the loan agreement is evidenced by a signed general obligation promissory note dated as of February 1, 1998. The Authority bonds were issued in denominations of \$5,000 with interest payable on June 1 and December 1 of each year through maturity. The interest rate on the bonds is 2% with the bonds scheduled to mature December 1, 2019. The bonds provide for early redemption options as detailed in the official statement of issue.

In April 2007, the PFA issued \$27,780,000 in College Revenue Bonds – Series of 2007 to finance new construction, additions and renovations on the campus of CCBC. In connection with the issuance of the Bonds, the PFA entered into a Loan Agreement with CCBC, whereby the PFA will loan the proceeds of the bonds to CCBC. The loan agreement requires CCBC to make loan payments to the PFA in an amount sufficient to pay the debt service requirements of the Bonds. The obligation of CCBC under the loan agreement is evidenced by a signed general obligation promissory note dated April 15, 2007. The PFA bonds were issued in denominations of \$5,000 with interest payable on May 15 and November 15 of each year through maturity. Interest rates range between 3.50% and 4.375% with the bonds scheduled to mature December 1, 2031. The bonds provide for early redemption options as detailed in the official statement of issue.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND JUNE 30, 2013

NOTE J - LONG-TERM LIABILITIES - (Continued)

Component Unit – CCBC – Continued

CCBC has also advanced refunded the Series A of 1994 Community College Revenue Bonds. In doing so, the PFA entered into an irrevocable trust agreement with PNC Bank to purchase U.S. Government Securities in an amount sufficient to fully service the defeased 1994 Bond Issue debt as it matures or is called. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability of the CCBC.

In connection with the refunding, the excess of the reacquisition price over the net carrying amount of refunded debt is recorded as a reduction to long-term debt on the balance sheet and amortized over the shorter of the term of the refunding issue or the refunded bonds. CCBC incurred a deferred refunding loss of \$569,680 which is being amortized over the life of the refunding issue using the straight-line method. During the year ended June 30, 2013, CCBC amortized \$29,571 of this loss which is shown as part of interest expense. The unamortized balance of \$163,946 at June 30, 2013, is deducted from the long-term portion of notes payable.

A summary of CCBC's general obligation promissory notes outstanding, due to the PFA at June 30, 2013, is as follows:

June 30,	Principal	Interest	Total
2014	\$ 1,150,000	\$ 1,105,386	\$ 2,255,386
2015	795,000	1,077,362	1,872,362
2016	825,000	1,051,988	1,876,988
2017	850,000	1,025,404	1,875,404
2018	875,000	997,678	1,872,678
2019-2023	6,200,000	4,400,964	10,600,964
2024-2028	8,630,000	2,799,125	11,429,125
2029-2032	8,385,000	753,459	9,138,459
	<u>\$ 27,710,000</u>	<u>\$ 13,211,366</u>	<u>\$ 40,921,366</u>

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND JUNE 30, 2013

NOTE J - LONG-TERM LIABILITIES - (Continued)

Component Unit – CCBC – Continued

Capital Lease Obligations

In July of 2012, CCBC entered into a lease agreement with First National Bank Commercial Leasing in order to finance the purchase of technology equipment in the amount of \$484,546. Four annual payments of \$125,155 starting on August 10, 2012, are due under this agreement. Interest on the outstanding balance accrues at the rate of 2.22%. The equipment acquired serves as collateral on the lease. Additionally, CCBC currently leases copier equipment from Xerox for use in its publications department. The terms of the lease agreement dated July 1, 2010, calls for monthly payments of \$12,600. Lease expense for the year ended June 30, 2013 was \$151,200. This lease is scheduled to terminate on June 30, 2015.

Compensated Absences and Other Post-Employment Benefits

The terms of the collective bargaining agreements between the CCBC and the Community College of Beaver County Society of the Faculty and Educational Support Personnel Association provide for the accumulation of sick and vacation days for eligible personnel based on employment status and length of service. As of June 30, 2013, accumulated compensated absences totaled \$643,589.

As per the terms of the collective bargaining agreements between CCBC and its collective bargaining units, CCBC continues to provide post-retirement healthcare benefits for eligible employees and the employees' spouses who elect early retirement. Per the collective bargaining agreements, these early retirement program benefits provide retired members with the option to pay his/her own insurance at group rates through CCBC.

Additionally, CCBC provides special one-time early retirement incentives to eligible members of the Beaver County Society of the Faculty, the amounts of which are dependent upon the collective bargaining agreement under which the eligible member retired. The terms of the current collective bargaining agreement provide for the payment of graduated amounts per year toward health insurance, depending on retirement age, up to a maximum of \$7,000 per year for a period of three years (commencing August 31, 2010). As of June 30, 2013, the total calculated liability for retiree health insurance benefits and early retirement incentives totaled \$20,160 and \$31,712, respectively.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND JUNE 30, 2013

NOTE K - CONTINGENCIES

The County participates in a number of federal and state assisted grant programs. These grants are potentially subject to program compliance audits by the grantors. Such audits could result in expenditures being disallowed and funds being due back to the grantor agencies. The amount of expenditures that may be disallowed in the future, if any, cannot be determined at this time.

The County is party to exposure from various claims and other legal proceedings. Such claims and other legal proceedings include, but are not limited to, employment, civil rights, and medical malpractice personal injury matters. The County has faced legal proceedings related to the failure to develop a stormwater management plan.

Management has provided for certain matters, where considered necessary, in the financial statements. For other claims, management is of the opinion that these matters will not have a material effect on the County's financial position or it is too early in the litigation stage to evaluate the likelihood of an outcome or the range of potential loss.

2006 Swap Agreement Termination

During September 2006, the County entered into an agreement with a counterparty that terminated two previous derivative instruments and replaced them with an interest rate management plan that extends over the life of the 1997 Bonds. Under this agreement (the 2006 Swap Agreement), the County terminated the derivative agreements that were outstanding in 2006 and refunded the total outstanding principal under the 1997 Bonds as of October 1, 2007 at a variable rate.

Certain events in the 2006 Swap Agreement are described as "events of default." The 2006 Swap Agreement also included termination provisions for the County.

In February 2009, the County informed the counterparty to the 2006 Swap Agreement that it wished to terminate the 2006 Swap Agreement due to the County's claims of an event of default per the terms of the agreement. The County paid the counterparty approximately \$7,000,000 to terminate the agreement. The County believes that the counterparty was paid an amount that was in accordance with the 2006 Swap Agreement to terminate the Agreement. While the County believes that this amount was fairly and reasonably calculated in accordance with the provisions of the 2006 Swap Agreement, no assurance can be given that it will not be contested by the counterparty. In such case, the amount may be substantially larger than the calculated amount.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND JUNE 30, 2013

NOTE K – CONTINGENCIES - (Continued)

Friendship Ridge

Friendship Ridge was sold to a private entity in 2014 (see Note N). The County remains obligated to satisfy liabilities that may arise from periods of the health care facility being a part of the County, such as for workers' compensation, medical malpractice, and third party payor revenue settlements, just to name a few.

Component Unit - BCTA

BCTA's state and federally funded programs are subject to audit by various governmental agencies. BCTA is potentially liable for any expenses disallowed by the results of these audits. The Federal Transit Administration (FTA) conducted a triennial review of BCTA in which the scope of the review is to determine BCTA's compliance with federal requirements related to grant management practices and program implementation in 24 areas. No deficiencies were found in 15 areas however 9 areas (Technical, Procurement, Disadvantaged Business Enterprise, Debarment and Suspension, Planning/POP, Title VI, ADA, Drug and Alcohol, and EEO) had findings which were noted. BCTA submitted a corrective action plan to the FTA to address these deficiencies.

Component Unit - CCBC

CCBC's state and federally funded programs are subject to audit by various governmental agencies. CCBC is potentially liable for any expenses disallowed by the results of these audits. The Commonwealth of Pennsylvania's Office of Labor, Education and Community Services conducts annual audits of CCBC's Claim for Subsidy Reimbursement submitted annually to the Commonwealth. Management is not aware of any items of noncompliance which would result in the disallowance of program expenses.

CCBC is potentially liable for any costs of program non-compliance, not covered by commercial insurance, incurred by its Police Technology Program as a result of a program audit conducted by the Commonwealth of Pennsylvania. CCBC recorded an initial estimated liability of \$150,000 during the 2003-2004 fiscal year to cover these potential costs. As of June 30, 2013, the remaining unused portion of this estimated liability was \$143,822.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND JUNE 30, 2013

NOTE L - RISK MANAGEMENT

The County is exposed to various risks of loss including loss of property, torts, errors and omissions, use of County owned vehicles, workers' compensation incidents, employee health benefits and medical malpractice torts at Friendship Ridge. The County handles exposure to these risks in various ways.

Property/Casualty Exposures

The County is a member of Pennsylvania Counties Risk Pool (PCoRP) which provides insurance coverage for general liability, public official's liability, law enforcement liability, property loss, vehicle usage, and crime. There have been no significant changes in PCoRP coverage in the past three years and settled claims have not exceeded the coverage provided in those years. PCoRP is a public entity risk pool exclusively for member counties of the County Commissioners Association of Pennsylvania. PCoRP was organized as a property/casualty self-insurer and it provides coverage through its self-insured retention fund of claims less than \$450,000 for liability, \$350,000 for crime, and \$250,000 for property. There is a deductible of \$50,000 for liability, \$50,000 for property, \$1,500 for equipment breakdown, and \$5,000 for crime, per occurrence. PCoRP purchases excess coverage for claims over that threshold up to a maximum limit of \$5,000,000 for liability, \$350,250,000 for property, \$100,000,000 for equipment breakdown, and \$1,000,000 for crime. Members pay premiums to cover the costs of administration, excess insurance, and loss control services. The premium is adjusted annually to reflect both the costs of excess insurance and the most recent five-year experience with members.

The coverage provided by PCoRP excludes general liability and professional medical malpractice of Friendship Ridge. The County has made other arrangements for those exposures.

Friendship Ridge Exposures

For general liability claims, Friendship Ridge purchases a premium based policy with an individual and aggregate threshold. For the year ended December 31, 2013, claims paid related to general liability claims were \$0.

The facility has purchased insurance to cover medical malpractice incidents occurring after April 1, 2011. The insurance policy is limited by an individual and aggregate threshold. The facility was self-insured for medical malpractice occurrences up through April 1, 2011. For the year ended December 31, 2013, claims paid related to professional liability claims were \$25,307. Management is aware of certain outstanding claims and therefore, has accrued \$25,000 as of December 31, 2013.

Pursuant to state regulations, the County established an escrow account with a minimum balance of \$300,000 classified as a deposit in the Statement of Net Position.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND JUNE 30, 2013

NOTE L - RISK MANAGEMENT – (Continued)

HealthChoices Exposures

The County has entered into an agreement with the Commonwealth of Pennsylvania's Department of Public Welfare (Commonwealth) for the HealthChoices Behavioral Health Program. Under the terms of the contract, the County is fully exposed to the risk that providing behavioral healthcare services provided under this program to eligible enrollees will exceed the revenue provided by the Commonwealth to the County.

The term of the current contract between the County and the Commonwealth is from January 1, 2012 through December 31, 2013. Under this contract either party has the option to terminate the agreement without cause upon one-hundred twenty days' notice to the other party. On October 23, 2013, the County entered into a five-year agreement with the Commonwealth effective January 1, 2014 through December 31, 2018.

The County accrues an estimate of its health care cost liability at the end of each accounting period. The estimate is developed using a process that accounts for the lag between the point in time that payment is made for a service and the point in time that the County became liable for the service. The County's estimated medical claims liability is reviewed and certified by an independent actuarial firm on a quarterly basis.

The following table shows the changes in the actuarially certified estimated medical claims liability of the HealthChoices Program:

	HealthChoices
Liability balance - January 1, 2012	\$ 2,199,997
Incurred claims and estimates	27,906,693
Less: Claims paid during period	<u>27,306,690</u>
Liability balance - December 31, 2012	2,800,000
Incurred claims and estimates	27,998,287
Less: Claims paid during period	<u>28,548,454</u>
Liability balance - December 31, 2013	<u>\$ 2,249,833</u>

The County maintains a cash reserve that can be drawn upon in the event program expenditures exceed revenue. The balance of these reserve accounts is approximately \$7.8 million. This entire balance is available to cover losses in future periods.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND JUNE 30, 2013

NOTE L - RISK MANAGEMENT – (Continued)

Employee Health Care and Workers' Compensation

The County has elected to self-fund the health and prescription drug employee benefits. Under the self-funded arrangement, the County's third party administrators pay all claims for medical and prescription costs. The County reimburses the administrators for these charges and pays an administrative fee based on membership and/or utilization. The County is responsible for the first \$150,000 of medical claims for any member each year. A stop loss insurance policy has been purchased to provide for payment above the yearly individual limit for a combined total not exceeding \$1,850,000. The policy includes \$1,000,000 of coverage if aggregate claims exceed the attachment point of \$15,950,028. During 2012, the County's attachment point for individual claims was \$150,000 and the attachment point for aggregate claims was \$17,473,828.

The County has elected to largely self-insure its workers' compensation claims. To mitigate excess exposure, the County purchased a commercial large-deductible insurance policy which began on January 1, 2004. The County is responsible for the first \$350,000 of any individual claim and the first \$3,120,000 in aggregate annual claims expenses. The limits of policy coverage are defined by a Pennsylvania Statute and it includes limits of \$100,000 for employer's liability for any individual claim and \$500,000 aggregate for the annual policy. Prior to 2004, workers' compensation coverage was purchased from the Pennsylvania Counties Workers' Compensation Trust (PCoMP).

Changes in the estimate of the self-insured workers' compensation and employee health benefits claims liability are as follows:

	Governmental Activities	Friendship Ridge
Liability balance - January 1, 2012	\$ 535,067	\$ 692,830
Incurred claims and estimates	9,955,235	6,438,436
Less: Claims paid during period	<u>9,880,306</u>	<u>6,160,379</u>
Liability balance - December 31, 2012	609,996	970,887
Incurred claims and estimates	10,500,142	6,545,569
Less: Claims paid during period	<u>10,440,244</u>	<u>6,924,250</u>
Liability balance - December 31, 2013	<u>\$ 669,894</u>	<u>\$ 592,206</u>

All functions of the County estimate liabilities for unpaid claims based on a claims' payment history.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND JUNE 30, 2013

NOTE L - RISK MANAGEMENT – (Continued)

Risk Accounting

The County has created two internal service funds within which transactions related to the self-funded workers' compensation program and the self-funded health insurance programs are recorded. Revenues to cover expenditures for each program are generated by an internal charge, based on either payroll by class or by membership, applied to all operating funds, excluding Friendship Ridge. Friendship Ridge operates its risk programs as separate lines within its operating budget.

During 2013, the medical benefit internal service fund had expenses in excess of revenues amounting to \$807,468. During this same period, the workers' compensation internal service fund had revenues in excess of expenses amounting to \$34,217. Management expects to eliminate the current deficits in net position of these funds through increased user charges.

Component Unit – BCTA

BCTA is a member of the SAFTI Property and Liability Insurance Pool, which is an insurance pool that provides BCTA and other Pennsylvania Transit Properties insurance coverage for the following types of liabilities: automobile, employee benefit, public official, general, crime, property, boiler and machinery, and workers compensation. BCTA pays an annual premium each year that includes fixed costs and a loss funding. During the 2012-2013 fiscal year, BCTA paid premiums, excluding workers compensation, of \$94,989 for Fixed Costs and \$111,420 for Loss Funding. Premiums paid for workers compensation were \$39,561 for Fixed Costs and \$191,972 for Loss Funding. This fund is self-insured but holds policies which provide excess coverage once a claim reaches a certain dollar level, which varies depending on the coverage. Insurance rates are based on individual performance, but all members of the pool share in or participate in the losses.

Component Unit – CCBC

CCBC is exposed to various risks of loss related to tort, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims for these risks have not exceeded commercial insurance coverage for the past three years.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND JUNE 30, 2013

NOTE M - COMMITMENTS

The following are amounts encumbered in the governmental funds:

	Mental Health/Intellectual Disabilities	Children & Youth	Community Development	Other Governmental Funds
Restricted	\$ 19,048	\$ 17,960	\$ 1,907	\$ 317,019
Total	<u>\$ 19,048</u>	<u>\$ 17,960</u>	<u>\$ 1,907</u>	<u>\$ 317,019</u>

Encumbered amounts are for obligations related to unperformed (executory) contracts for goods and services.

At December 31, 2013, the County had one open letter of credit with a value totaling \$1,000,000, to cover excess costs of workers' compensation claims if needed. At December 31, 2013, the letter had not been drawn.

The County, as the local sponsor of the Community College of Beaver County, is obligated to provide funding for one half of the College's annual capital expenditures, including debt service payments for capital bonds. In 2007, the College issued \$27,780,000 in capital bonds that the County is accounting for as part of its annual contribution to CCBC to subsidize the related debt service obligation.

The County is responsible for managing numerous programs and grants imposed by legislation as well as through mutual agreement with grantor bodies. Noncompliance with any particular item may be cause for penalties imposed on the County or refunds due to the grantor. Additionally, a change in legislation may impose a higher financial burden on the County for mandated programs. The County is not aware of any noncompliance with the provisions of grants or other agreements that may be cause for a penalty or refund of grant monies. Also, the County has not studied the potential outcomes of any pending or enacted legislation in order to determine the possible financial impact on the various programs it carries out for the community it serves.

Component Unit – BCTA

During the 2012-2013 fiscal year, BCTA entered into design and engineering agreements for the replacement of the HVAC system in the Rochester facility, a contract for the replacement of 5 replacement buses and 1 spare bus, and continues to work toward completion of the AVL contract entered into two years ago. The remaining outstanding contract dollar commitments on these design and engineering agreements total \$3,871,184 at June 30, 2013.

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND JUNE 30, 2013

NOTE M - COMMITMENTS – (Continued)

Component Unit – CCBC

On June 30, 2009 (as amended), CCBC entered into a deferred compensation agreement with CCBC's President. The terms of the deferred compensation agreement stipulated that the President would receive on June 30, 2011, \$12,000 and \$17,000 respectively, and \$25,000 on June 30, 2012 for services rendered during the years ended June 30, 2009, and June 30, 2011. The agreement was subsequently amended to provide the President's deferred compensation on June 30, 2014, for services rendered to CCBC for fiscal years ended June 30, 2012 through June 30, 2014 totaling \$100,000, with \$35,000 of the total payable on June 30, 2013, and the balance of \$35,000 payable on June 30, 2014. The remaining balance due the CCBC's President of \$35,000 has not been recorded as a liability in the accompanying financial statements as of June 30, 2013. Amounts accumulated totaling \$119,000 plus interest have been recorded as part of 'accrued salaries and benefits' in the accompanying financial statements as of June 30, 2013.

NOTE N – SUBSEQUENT EVENTS

During March 2014, the County transferred ownership of Friendship Ridge to a private entity. The County received \$8,000,000 in 2013 (recorded as unearned revenue on the government-wide statement of net position and on the balance sheet as of December 31, 2013) and \$24,828,956 on March 28, 2014, for this sale. The private buyer group received payments from the County in terms of a temporary management agreement and an expenses savings clause included as part of the sales agreement, among other items. The County also incurred legal, brokerage, accounting, employee and contractor severance, and other miscellaneous costs related to this transaction. In connection to this sale, the County defeased certain bonds on May 20, 2014, placing \$7,465,304 in escrow.

The County adopted a resolution on December 20, 2013, to issue a Tax Revenue Anticipation Note (TRAN) for 2014. A total of \$6,000,000 was borrowed on the TRAN in January 2014. The County repaid the \$6,000,000 on March 31, 2014.

REQUIRED SUPPLEMENTAL INFORMATION

COUNTY OF BEAVER, PENNSYLVANIA

SCHEDULE OF FUNDING PROGRESS PENSION TRUST FUND

DECEMBER 31, 2013

For the valuation dates starting January 1, 2010, the entry age actuarial method was used. For all valuation dates prior to January 1, 2010, the aggregate actuarial cost method was used. Because the aggregate cost method does not identify or separately amortize accrued liabilities, information in this schedule about funded status and funding progress is presented using the entry age actuarial cost method for that purpose. This information is intended to serve as a surrogate for the funding progress of the plan.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2014	\$ 294,931,189	\$ 283,828,734	\$ 11,102,455	103.9%	\$ 57,418,993	19.3%
1/1/2013	\$ 247,612,166	\$ 257,993,406	\$ (10,381,240)	96.0%	\$ 57,388,235	-18.1%
1/1/2012	\$ 236,825,873	\$ 244,641,505	\$ (7,815,632)	96.8%	\$ 58,557,985	-13.3%
1/1/2011	\$ 231,188,314	\$ 229,857,979	\$ 1,330,335	100.6%	\$ 57,849,020	2.3%
1/1/2010	\$ 208,234,825	\$ 215,326,297	\$ (7,091,472)	96.7%	\$ 55,619,978	-12.7%
1/1/2009	\$ 180,412,553	\$ 208,134,895	\$ (27,722,342)	86.7%	\$ 56,786,835	-48.8%

COUNTY OF BEAVER, PENNSYLVANIA

SCHEDULE OF EMPLOYER CONTRIBUTIONS PENSION TRUST FUND

DECEMBER 31, 2013

Year Ended	Employer Contributions	Annual Required Contribution	Percentage Contributed
December 31, 2013	\$ 3,790,653	\$ 3,790,653	100%
December 31, 2012	3,312,744	3,312,744	100%
December 31, 2011	2,286,304	2,286,304	100%
December 31, 2010	3,096,622	3,096,622	100%
December 31, 2009	19,227,192	5,763,864	334%
December 31, 2008	1,887,756	1,887,756	100%

The information presented above was determined as part of the actuarial valuations performed on January 1 of each of the years ended as indicated above. The additional information is for all years presented unless otherwise indicated.

Actuarial Cost Method:	Aggregate actuarial for 2006 - 2008; entry age normal in 2009 - 2013
Asset Valuation Method:	Five-year smoothed market for 2006 - 2008; greater of market value and actuarial value in 2009 - 2013 (as determined by Pennsylvania State Law, Act 44)
Actuarial Assumptions:	
Inflation Adjustment:	3%
Investment Rate of Return:	7.5%
Amortization Method:	Level percentage of projected payroll for 2009 - 2013
Amortization Period:	30-year closed period for unfunded liability for 2009 - 2013
Projected Salary Increase:	4.00% for 2006; 4.25-4.50% for 2007; 4.50% for 2008; 3.50%/4.50% for 2009 - 2013
Cost-of-Living Adjustment:	100% of CPI effective as of January 1, 2000
Mortality Tables:	1983 Group Annuity Mortality Table with no projected improvements prior to January 1, 2013; 2013 RP Annuitant and Non-Annuitant Mortality Tables for males and females with no projected improvements effective January 1, 2013.

COUNTY OF BEAVER, PENNSYLVANIA

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND**

FOR THE YEAR ENDED DECEMBER 31, 2013

	Budget			Variance	
	Original	Final	Actual	Over (Under)	
Revenues					
Real Estate Taxes	\$ 46,975,950	\$ 46,975,950	\$ 47,526,123	\$ 550,173	
Licenses and Permits	81,000	81,000	142,264	61,264	
Interest and Rents	35,000	35,000	15,573	(19,427)	
Intergovernmental Revenues	2,704,927	3,551,466	3,602,817	51,351	
Departmental Earnings	7,211,030	8,382,435	7,794,668	(587,767)	
Miscellaneous	4,262,527	1,888,224	1,118,878	(769,346)	
Total Revenues	<u>61,270,434</u>	<u>60,914,075</u>	<u>60,200,323</u>	<u>(713,752)</u>	
Expenditures					
Current:					
General Government	12,457,744	11,074,011	10,210,427	(863,584)	
Judicial	13,132,937	13,307,436	12,747,442	(559,994)	
Public Safety	17,835,163	17,017,352	15,177,863	(1,839,489)	
Public Works and Enterprises	3,445,993	3,728,663	3,366,132	(362,531)	
Culture, Recreation and Conservation	2,992,171	2,960,916	2,675,664	(285,252)	
Intergovernmental:					
Human Services	6,638,692	7,424,116	7,401,736	(22,380)	
Debt Service:					
Principal	3,438,933	3,594,564	3,594,186	(378)	
Interest	5,159,691	5,007,391	4,995,116	(12,275)	
Bond Issuance Costs	-	-	149,577	149,577	
Other	-	10,010	10,006	(4)	
Capital Outlay:					
Fixed Asset Acquisition & Improvements	258,898	720,067	616,822	(103,245)	
Infrastructure	25,000	10,500	1,935	(8,565)	
Total Expenditures	<u>65,385,222</u>	<u>64,855,026</u>	<u>60,946,906</u>	<u>(3,908,120)</u>	
Excess (Deficiency) of Revenues					
Over Expenditures	(4,114,788)	(3,940,951)	(746,583)	3,194,368	
Other Financing Sources (Uses):					
Refunded Debt	-	-	(6,636,785)	(6,636,785)	
Advance Refunding Bonds	-	-	6,831,000	6,831,000	
Capital Lease Agreements	-	266,410	266,409	(1)	
Original Issue Discount	-	-	(44,638)	(44,638)	
Transfers From Other Funds	5,189,663	5,207,813	659,033	(4,548,780)	
Transfers To Other Funds	(3,066,873)	(3,936,353)	(3,922,146)	14,207	
Total Other Financing Sources (Uses)	<u>2,122,790</u>	<u>1,537,870</u>	<u>(2,847,127)</u>	<u>(4,384,997)</u>	
Net Change in Fund Balance	(1,991,998)	(2,403,081)	(3,593,710)	(1,190,629)	
Fund Balance - Beginning	<u>(13,418,289)</u>	<u>(13,775,399)</u>	<u>(223,337)</u>	<u>13,552,062</u>	
Fund Balance - Ending	<u>\$ (15,410,287)</u>	<u>\$ (16,178,480)</u>	<u>\$ (3,817,047)</u>	<u>\$ 12,361,433</u>	

COUNTY OF BEAVER, PENNSYLVANIA

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
MENTAL HEALTH / INTELLECTUAL DISABILITIES**

FOR THE YEAR ENDED DECEMBER 31, 2013

	Budget			Variance Over (Under)
	Original	Final	Actual	
Revenues				
Intergovernmental	\$ 17,967,300	\$ 18,047,485	\$ 15,975,867	\$ (2,071,618)
Departmental Earnings	1,340,000	1,340,000	1,147,111	(192,889)
Interest	7,000	7,000	2,333	(4,667)
Miscellaneous	398,000	118,000	19,509	(98,491)
Total Revenues	<u>19,712,300</u>	<u>19,512,485</u>	<u>17,144,820</u>	<u>(2,367,665)</u>
Expenditures				
Salaries & Benefits	4,852,214	5,108,798	4,888,894	(219,904)
Personnel Expense	46,500	47,100	18,396	(28,704)
Consultant/Contracted Services	1,566,000	1,655,714	1,290,954	(364,760)
Sub Contracted Services	12,729,400	12,349,573	10,695,917	(1,653,656)
Occupancy	296,500	297,500	235,185	(62,315)
Communication	151,500	153,000	84,063	(68,937)
Supplies & Minor Equipment	207,500	375,920	190,806	(185,114)
Transportation	130,000	134,000	109,472	(24,528)
Other Expenditures	612,500	373,146	319,872	(53,274)
Capital Outlay	-	16,000	15,145	(855)
Total Expenditures	<u>20,592,114</u>	<u>20,510,751</u>	<u>17,848,704</u>	<u>(2,662,047)</u>
Excess (Deficiency) of Revenues Over Expenditures				
	(879,814)	(998,266)	(703,884)	294,382
Other Financing Sources (Uses):				
Transfers from Other Funds	697,500	706,409	692,966	(13,443)
Total Financing Sources (Uses)	<u>697,500</u>	<u>706,409</u>	<u>692,966</u>	<u>(13,443)</u>
Net Change in Fund Balance				
	(182,314)	(291,857)	(10,918)	280,939
Fund Balance - Beginning	<u>11,464,724</u>	<u>6,382,036</u>	<u>46,070</u>	<u>(6,335,966)</u>
Fund Balance - Ending	<u>\$ 11,282,410</u>	<u>\$ 6,090,179</u>	<u>\$ 35,152</u>	<u>\$ (6,055,027)</u>

COUNTY OF BEAVER, PENNSYLVANIA

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
CHILDREN AND YOUTH**

FOR THE YEAR ENDED DECEMBER 31, 2013

	Budget		Actual	Variance Over (Under)
	Original	Final		
Revenues				
Intergovernmental	\$ 12,384,146	\$ 12,333,146	\$ 10,874,819	\$ (1,458,327)
Departmental Earnings	167,067	167,067	121,005	(46,062)
Interest	1,790	1,790	155	(1,635)
Total Revenues	<u>12,553,003</u>	<u>12,502,003</u>	<u>10,995,979</u>	<u>(1,506,024)</u>
Expenditures				
Salaries & Benefits	4,668,333	4,753,481	4,681,489	(71,992)
Personnel Expense	29,800	30,800	17,648	(13,152)
Consultant/Contracted Services	1,096,500	1,121,818	925,117	(196,701)
Sub Contracted Services	6,430,000	6,280,352	4,360,422	(1,919,930)
Occupancy	382,000	442,300	370,229	(72,071)
Communication	184,000	215,857	190,146	(25,711)
Supplies & Minor Equipment	245,000	381,487	292,883	(88,604)
Transportation	139,447	189,447	174,515	(14,932)
Other Expenditures	1,885,200	1,562,110	1,329,534	(232,576)
Capital Outlay	<u>147,030</u>	<u>222,030</u>	<u>140,064</u>	<u>(81,966)</u>
Total Expenditures	<u>15,207,310</u>	<u>15,199,682</u>	<u>12,482,047</u>	<u>(2,717,635)</u>
Excess (Deficiency) of Revenues Over Expenditures				
	(2,654,307)	(2,697,679)	(1,486,068)	1,211,611
Other Financing Sources (Uses):				
Transfers From Other Funds	1,500,000	1,551,000	1,550,419	(581)
Total Financing Sources (Uses)	<u>1,500,000</u>	<u>1,551,000</u>	<u>1,550,419</u>	<u>(581)</u>
Net Change in Fund Balance				
Fund Balance - Beginning	(82,501)	(150,001)	1,310,896	1,460,897
Fund Balance - Ending	<u>\$ (1,236,808)</u>	<u>\$ (1,296,680)</u>	<u>\$ 1,375,247</u>	<u>\$ 2,671,927</u>

COUNTY OF BEAVER, PENNSYLVANIA

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT**

FOR THE YEAR ENDED DECEMBER 31, 2013

	Budget		Actual	Variance Over (Under)
	Original	Final		
Revenues				
Intergovernmental	\$ 7,722,623	\$ 8,152,217	\$ 5,692,169	\$ (2,460,048)
Departmental Earnings	360,000	360,000	322,717	(37,283)
Interest	345	345	128	(217)
Total Revenues	<u>8,082,968</u>	<u>8,512,562</u>	<u>6,015,014</u>	<u>(2,497,548)</u>
Expenditures				
Salaries & Benefits	613,628	632,743	627,914	(4,829)
Personnel Expense	9,013	12,374	7,972	(4,402)
Consultant/Contracted Services	7,508,114	7,810,836	5,029,820	(2,781,016)
Sub Contracted Services	-	61,269	49,815	(11,454)
Occupancy	136,862	149,412	76,889	(72,523)
Communication	51,250	54,157	19,538	(34,619)
Supplies & Minor Equipment	88,589	102,987	36,423	(66,564)
Transportation	15,300	14,745	9,502	(5,243)
Other Expenditures	<u>108,800</u>	<u>101,864</u>	<u>66,098</u>	<u>(35,766)</u>
Total Expenditures	<u>8,531,556</u>	<u>8,940,387</u>	<u>5,923,971</u>	<u>(3,016,416)</u>
Excess (Deficiency) of Revenues Over Expenditures				
	(448,588)	(427,825)	91,043	518,868
Other Financing Sources (Uses)				
Transfers From Other Funds	571,096	571,096	-	(571,096)
Transfers To Other Funds	(570,096)	(589,143)	-	589,143
Total Financing Sources (Uses)	<u>1,000</u>	<u>(18,047)</u>	<u>-</u>	<u>18,047</u>
Fund Balance - Beginning	(6,035,218)	(6,010,250)	111,582	6,121,832
Fund Balance - Ending	<u>\$ (6,482,806)</u>	<u>\$ (6,456,122)</u>	<u>\$ 202,625</u>	<u>\$ 6,658,747</u>

COUNTY OF BEAVER, PENNSYLVANIA

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
HEALTHCHOICES**

FOR THE YEAR ENDED DECEMBER 31, 2013

	Budget			Variance Over (Under)
	Original	Final	Actual	
Revenues				
Intergovernmental	\$ 35,035,000	\$ 35,035,000	\$ 36,055,610	\$ 1,020,610
Interest	28,030	28,030	17,051	(10,979)
Total Revenues	<u>35,063,030</u>	<u>35,063,030</u>	<u>36,072,661</u>	<u>1,009,631</u>
Expenditures				
Salaries & Benefits	371,846	606,081	601,802	(4,279)
Personnel Expense	2,200	2,200	122	(2,078)
Consultant/Contracted Services	33,738,093	34,703,279	34,103,774	(599,505)
Occupancy	40,900	45,950	31,772	(14,178)
Communication	9,400	10,400	8,140	(2,260)
Supplies & Minor Equipment	15,500	31,800	11,927	(19,873)
Transportation	4,200	5,200	4,706	(494)
Other Expenditures	42,000	63,000	47,954	(15,046)
Total Expenditures	<u>34,224,139</u>	<u>35,467,910</u>	<u>34,810,197</u>	<u>(657,713)</u>
Excess (Deficiency) of Revenues Over Expenditures				
	838,891	(404,880)	1,262,464	1,667,344
Fund Balance - Beginning	<u>11,462,310</u>	<u>9,908,762</u>	<u>10,351,874</u>	<u>443,112</u>
Fund Balance - Ending	<u>\$ 12,301,201</u>	<u>\$ 9,503,882</u>	<u>\$ 11,614,338</u>	<u>\$ 2,110,456</u>

COUNTY OF BEAVER, PENNSYLVANIA

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION

DECEMBER 31, 2013

NOTE A – BASIS OF BUDGETING

Appropriated budgets are adopted on a modified accrual basis consistent with generally accepted accounting principles by fund, department and line-item. Line-items are specific revenues and expenditures, such as taxes, fees, salaries, and supplies. Transfers of appropriations may be requested between line-items within a department or between departments within the same fund. All transfers of appropriations require the approval of the Commissioners. The legal level of control is exercised by management at each line-item.

NOTE B – BUDGET VARIANCE

The County does not adjust for line items designated for receipts of reimbursements after initial adoption. Therefore, some expenditures may appear to exceed budgeted amounts when actual reimbursements received are below the initial budgeted figures. Also, reclassifications of actual balances made strictly for external financial reporting purposes are often not reflected in the budget. As a consequence, some line items may appear to exceed budgeted amounts.

COUNTY OF BEAVER, PENNSYLVANIA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

DECEMBER 31, 2013

	Special Revenue									
	Automation and Records Improvement	Regional Booking Center	Domestic Relations	Offender's Supervisory	Victim Witness	Hazardous Materials/ Act 147 Grants	Liquid Fuels	Office on Aging	Childcare Resource Management	
Assets										
Cash and Cash Equivalents	\$ 502,981	\$ 76	\$ 122,504	\$ 408,250	\$ 945	\$ 210,319	\$ 2,253,138	\$ 1,067,783	\$ -	\$ -
Interfund Receivable	-	-	-	-	-	-	1,205	-	-	1,837
Accounts Receivable	1,157	5,113	409,284	18,479	37,342	16,452	2,030,538	21,458	-	-
Total Assets	\$ 504,138	\$ 5,189	\$ 531,788	\$ 426,729	\$ 38,287	\$ 226,771	\$ 4,284,881	\$ 1,089,241	\$ 1,837	
Liabilities										
Accounts Payable	\$ -	\$ -	\$ 1,606	\$ -	\$ -	\$ 4,465	\$ 2,051,916	\$ 178,594	\$ -	\$ -
Interfund Payable	7,239	132,286	126,807	122,401	54,970	8,163	4,014	33,995	-	-
Accrued Payroll	484	2,520	46,427	-	2,768	-	1,215	43,730	1,837	-
Accrued Other Liabilities	-	-	-	-	-	13,366	-	259,601	-	-
Unearned Revenue	-	-	-	-	-	49,433	-	-	-	-
Total Liabilities	7,723	134,806	174,840	122,401	57,738	75,427	2,057,145	515,920	1,837	
Deferred Inflows of Resources										
Unavailable Revenue	-	-	251,625	-	-	-	335,247	-	-	-
Fund Balance (Deficit)										
Restricted:										
Other	496,415	-	105,323	304,328	-	151,344	1,892,489	573,321	-	-
Committed:										
Capital Projects	-	-	-	-	-	-	-	-	-	-
Unassigned:	-	(129,617)	-	-	(19,451)	-	-	-	-	-
Total Fund Balances (Deficits)	496,415	(129,617)	105,323	304,328	(19,451)	151,344	1,892,489	573,321	-	
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	\$ 504,138	\$ 5,189	\$ 531,788	\$ 426,729	\$ 38,287	\$ 226,771	\$ 4,284,881	\$ 1,089,241	\$ 1,837	

Exhibit B (Page 1 of 2)

COUNTY OF BEAVER, PENNSYLVANIA

COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS

DECEMBER 31, 2013

	Special Revenue					Capital Projects					Nonmajor Governmental Funds Total
	Tourist Promotion	Anti-Drug Task Force / Educational	Emergency Services 911	Total	Courtroom Improvement	Capital Reserve	Capital Bond	Total			
Assets											
Cash and Cash Equivalents	\$ 32,670	\$ 423,216	\$ 1,501,666	\$ 6,523,548	\$ 567,662	\$ 204,670	\$ 628,328	\$ 1,400,660	\$ 7,924,208		
Interfund Receivable	-	-	-	3,042	162,695	500,000	-	662,695	665,737		
Accounts Receivable	28,035	402	125,164	2,693,424	-	-	-	-	2,693,424		
Total Assets	\$ 60,705	\$ 423,618	\$ 1,626,830	\$ 9,220,014	\$ 730,357	\$ 704,670	\$ 628,328	\$ 2,063,355	\$ 11,283,369		
Liabilities											
Accounts Payable	\$ 3,433	\$ 11,936	\$ 26,471	\$ 2,278,421	\$ 16,945	\$ -	\$ -	\$ 16,945	\$ 2,295,366		
Interfund Payable	12,725	-	678,003	1,180,603	-	1,205	-	-	1,205	1,181,808	
Accrued Payroll	1,791	1,002	-	101,774	-	-	-	-	-	101,774	
Accrued Other Liabilities	-	-	-	272,967	-	-	-	-	272,967		
Unearned Revenue	-	-	749,865	799,298	-	-	-	-	799,298		
Total Liabilities	17,949	12,938	1,454,339	4,633,063	16,945	1,205	-	18,150	4,651,213		
Deferred Inflows of Resources											
Unavailable Revenue	-	-	-	586,872	-	-	-	-	-	586,872	
Fund Balance (Deficit)											
Restricted:											
Other	42,756	410,680	172,491	4,149,147	-	-	628,328	628,328	4,777,475		
Committed:											
Capital Projects	-	-	-	-	713,412	703,465	-	1,416,877	1,416,877		
Unassigned:	-	-	-	(149,068)	-	-	-	-	(149,068)		
Total Fund Balances (Deficits)	42,756	410,680	172,491	4,000,079	713,412	703,465	628,328	2,045,205	6,045,284		
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	\$ 60,705	\$ 423,618	\$ 1,626,830	\$ 9,220,014	\$ 730,357	\$ 704,670	\$ 628,328	\$ 2,063,355	\$ 11,283,369		

Exhibit B (Page 2 of 2)

COUNTY OF BEAVER, PENNSYLVANIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2013

	Special Revenue										
	Automation and Records Improvement	Regional Booking Center	Domestic Relations	Offender's Supervisory	Victim Witness	Hazardous Materials/ Act 147 Grants	Liquid Fuels	Office on Aging	Childcare Resource Management		
Revenues											
Investment Income	\$ 80	\$ -	\$ 14	\$ 41	\$ 3	\$ 39	\$ 217	\$ 137	\$ 54		
Intergovernmental	-	-	1,500,181	286,881	146,107	186,408	8,761,742	4,769,980	3,464,014		
Departmental Earnings	171,185	80,237	43,017	312,092	-	-	21,581	48,017	-		
Local Hotel Room Tax	-	-	-	-	-	-	-	-	-		
Miscellaneous	-	-	-	-	-	10,540	50,000	-	-		
Total Revenues	<u>171,265</u>	<u>80,237</u>	<u>1,543,212</u>	<u>599,014</u>	<u>146,110</u>	<u>196,987</u>	<u>8,833,540</u>	<u>4,818,134</u>	<u>3,464,068</u>		
Expenditures											
Current:											
General Government	41,501	-	-	-	-	-	-	-	-		
Judicial	-	133,001	2,492,375	-	150,046	-	-	-	-		
Public Safety	-	-	-	-	-	156,134	-	-	-		
Public Works and Enterprises	-	-	-	-	-	-	475,776	-	-		
Culture Recreation & Conservation	-	-	-	-	-	-	-	-	-		
Intergovernmental:											
Operating / Human Services	-	-	-	-	-	-	-	4,588,183	3,420,243		
Capital Outlay:											
Infrastructure	-	-	-	-	-	-	6,864,294	-	-		
Fixed Asset Acquisition	<u>76,052</u>	<u>-</u>	<u>-</u>	<u>25,437</u>	<u>-</u>	<u>5,321</u>	<u>-</u>	<u>-</u>	<u>-</u>		
Total Expenditures	<u>117,553</u>	<u>133,001</u>	<u>2,492,375</u>	<u>25,437</u>	<u>150,046</u>	<u>161,455</u>	<u>7,340,070</u>	<u>4,588,183</u>	<u>3,420,243</u>		
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>53,712</u>	<u>(52,764)</u>	<u>(949,163)</u>	<u>573,577</u>	<u>(3,936)</u>	<u>35,532</u>	<u>1,493,470</u>	<u>229,951</u>	<u>43,825</u>		
Other Financing Sources (Uses)											
Issuance of Debt	-	-	-	-	-	-	-	-	-		
Transfers From Other Funds	-	-	848,516	-	-	-	-	50,000	-		
Transfers to Other Funds	(8,150)	-	-	(630,884)	-	-	-	-	(19,999)		
Total Other Financing Sources (Uses)	<u>(8,150)</u>	<u>-</u>	<u>848,516</u>	<u>(630,884)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,000</u>	<u>(19,999)</u>		
Net Change in Fund Balance	<u>45,562</u>	<u>(52,764)</u>	<u>(100,647)</u>	<u>(57,307)</u>	<u>(3,936)</u>	<u>35,532</u>	<u>1,493,470</u>	<u>279,951</u>	<u>23,826</u>		
Fund Balances (Deficits) - Beginning	<u>450,853</u>	<u>(76,853)</u>	<u>205,970</u>	<u>361,635</u>	<u>(15,515)</u>	<u>115,812</u>	<u>399,019</u>	<u>293,370</u>	<u>(23,826)</u>		
Fund Balances (Deficits) - Ending	<u>\$ 496,415</u>	<u>\$ (129,617)</u>	<u>\$ 105,323</u>	<u>\$ 304,328</u>	<u>\$ (19,451)</u>	<u>\$ 151,344</u>	<u>\$ 1,892,489</u>	<u>\$ 573,321</u>	<u>\$ -</u>		

Exhibit C (Page 1 of 2)

COUNTY OF BEAVER, PENNSYLVANIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2013

	Special Revenue					Capital Projects					Nonmajor Governmental Funds Total
	Tourist Promotion	Anti-Drug Task Force / Educational	Emergency Services 911	Total	Courtroom Improvement	Capital Reserve	Capital Bond	Total			
Revenues											
Investment Income	\$ 7	\$ 282	\$ 201	\$ 1,075	\$ 64	\$ 89	\$ -	\$ 153	\$ 1,228		
Intergovernmental	-	88,800	1,608,561	20,812,674	3,680	-	-	3,680	20,816,354		
Departmental Earnings	19,792	85,518	557,855	1,339,294	-	294,312	-	294,312	1,633,606		
Local Hotel Room Tax	268,517	-	-	268,517	-	-	-	-	268,517		
Miscellaneous	-	-	-	60,540	-	-	-	-	60,540		
Total Revenues	288,316	174,600	2,166,617	22,482,100	3,744	294,401	-	298,145	22,780,245		
Expenditures											
Current:											
General Government	-	-	-	41,501	32,683	-	-	32,683	74,184		
Judicial	-	127,314	-	2,902,736	-	-	-	-	2,902,736		
Public Safety	-	-	1,974,066	2,130,200	-	-	-	-	2,130,200		
Public Works and Enterprises	-	-	-	475,776	-	-	-	-	475,776		
Culture Recreation & Conservation	312,355	-	-	312,355	-	-	-	-	312,355		
Intergovernmental:											
Operating / Human Services	-	-	-	8,008,426	-	-	-	-	8,008,426		
Capital Outlay:											
Infrastructure	-	-	-	6,864,294	-	5,080	-	5,080	6,869,374		
Fixed Asset Acquisition	5,747	-	172,443	285,000	8,199	-	-	8,199	293,199		
Total Expenditures	318,102	127,314	2,146,509	21,020,288	40,882	5,080	-	45,962	21,066,250		
Excess (Deficiency) of Revenues Over (Under) Expenditures											
	(29,786)	47,286	20,108	1,461,812	(37,138)	289,321	-	252,183	1,713,995		
Other Financing Sources (Uses)											
Issuance of Debt	-	-	-	-	-	-	411,185	411,185	411,185		
Transfers From Other Funds	-	-	-	898,516	162,695	-	-	162,695	1,061,211		
Transfers to Other Funds	-	-	-	(659,033)	-	-	-	-	(659,033)		
Total Other Financing Sources (Uses)	-	-	-	239,483	162,695	-	411,185	573,880	813,363		
Net Change in Fund Balance											
Fund Balances (Deficits) - Beginning	72,542	363,394	152,383	2,298,784	587,855	414,144	217,143	1,219,142	3,517,926		
Fund Balances (Deficits) - Ending	\$ 42,756	\$ 410,680	\$ 172,491	\$ 4,000,079	\$ 713,412	\$ 703,465	\$ 628,328	\$ 2,045,205	\$ 6,045,284		

Exhibit C (Page 2 of 2)

COUNTY OF BEAVER, PENNSYLVANIA

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS**

FOR THE YEAR ENDED DECEMBER 31, 2013

	Balance January 1, 2013	Additions	Deductions	Balance December 31, 2013
Clerk of Courts				
<u>Assets</u>				
Cash and Cash Equivalents	\$ 229,211	2,597,479	2,610,677	\$ 216,013
	<u>229,211</u>	<u>2,597,479</u>	<u>2,610,677</u>	<u>216,013</u>
<u>Liabilities</u>				
Accounts Payable	229,211	2,597,479	2,610,677	216,013
	<u>229,211</u>	<u>2,597,479</u>	<u>2,610,677</u>	<u>216,013</u>
Domestic Relations - Support Payments				
<u>Assets</u>				
Cash and Cash Equivalents	\$ 67,612	418,867	446,971	\$ 39,508
	<u>67,612</u>	<u>418,867</u>	<u>446,971</u>	<u>39,508</u>
<u>Liabilities</u>				
Accounts Payable	67,612	418,867	446,971	39,508
	<u>67,612</u>	<u>418,867</u>	<u>446,971</u>	<u>39,508</u>
Other Escrow				
<u>Assets</u>				
Cash and Cash Equivalents	\$ 1,655	-	-	\$ 1,655
	<u>1,655</u>	<u>-</u>	<u>-</u>	<u>1,655</u>
<u>Liabilities</u>				
Accounts Payable	1,655	-	-	1,655
	<u>1,655</u>	<u>-</u>	<u>-</u>	<u>\$ 1,655</u>
Recorder of Deeds				
<u>Assets</u>				
Cash and Cash Equivalents	\$ 425,034	13,943,953	13,948,237	\$ 420,750
	<u>425,034</u>	<u>13,943,953</u>	<u>13,948,237</u>	<u>420,750</u>
<u>Liabilities</u>				
Accounts Payable	425,034	13,943,953	13,948,237	420,750
	<u>425,034</u>	<u>13,943,953</u>	<u>13,948,237</u>	<u>\$ 420,750</u>
Register of Wills				
<u>Assets</u>				
Cash and Cash Equivalents	\$ 26,931	8,473,897	8,282,735	\$ 218,093
	<u>26,931</u>	<u>8,473,897</u>	<u>8,282,735</u>	<u>218,093</u>
<u>Liabilities</u>				
Accounts Payable	26,931	8,473,897	8,282,735	218,093
	<u>26,931</u>	<u>8,473,897</u>	<u>8,282,735</u>	<u>\$ 218,093</u>

COUNTY OF BEAVER, PENNSYLVANIA

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS**

FOR THE YEAR ENDED DECEMBER 31, 2013

	Balance January 1, 2013	Additions	Deductions	Balance December 31, 2013
Sheriff				
Assets				
Cash and Cash Equivalents	\$ 250,248	1,842,807	1,725,875	\$ 367,180
	<u>250,248</u>	<u>1,842,807</u>	<u>1,725,875</u>	<u>367,180</u>
Liabilities				
Accounts Payable	250,248	1,842,807	1,725,875	367,180
	<u>250,248</u>	<u>1,842,807</u>	<u>1,725,875</u>	<u>367,180</u>
Prothonotary				
Assets				
Cash and Cash Equivalents	\$ 350,231	604,381	777,359	\$ 177,253
	<u>350,231</u>	<u>604,381</u>	<u>777,359</u>	<u>177,253</u>
Liabilities				
Accounts Payable	350,231	604,381	777,359	177,253
	<u>350,231</u>	<u>604,381</u>	<u>777,359</u>	<u>177,253</u>
Tax Claim				
Assets				
Cash and Cash Equivalents	\$ 1,438,886	15,738,602	15,847,420	\$ 1,330,068
Due from Other Funds	284,412	-	284,412	-
	<u>1,723,298</u>	<u>15,738,602</u>	<u>16,131,832</u>	<u>1,330,068</u>
Liabilities				
Accounts Payable	1,723,298	15,738,602	16,131,832	1,330,068
	<u>1,723,298</u>	<u>15,738,602</u>	<u>16,131,832</u>	<u>1,330,068</u>
Treasurer				
Assets				
Cash and Cash Equivalents	\$ 25,134	317,421	300,902	\$ 41,653
	<u>25,134</u>	<u>317,421</u>	<u>300,902</u>	<u>41,653</u>
Liabilities				
Accounts Payable	25,134	317,421	300,902	41,653
	<u>25,134</u>	<u>317,421</u>	<u>300,902</u>	<u>41,653</u>
Total - Agency Funds				
Assets				
Cash and Cash Equivalents	\$ 2,814,941	43,937,407	43,940,176	\$ 2,812,172
Due from Other Funds	284,412	-	284,412	-
	<u>3,099,353</u>	<u>43,937,407</u>	<u>44,224,588</u>	<u>2,812,172</u>
Liabilities				
Accounts Payable	3,099,353	43,937,407	44,224,588	2,812,172
	<u>3,099,353</u>	<u>43,937,407</u>	<u>44,224,588</u>	<u>2,812,172</u>

Exhibit F (Page 2 of 2)

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Beaver County, Pennsylvania

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended December 31, 2013

Federal Granting Agency/Program	Contract Period	Federal CFDA Number	Pass-Through Grant Number	Federal Expenditures	Federal Grant Receipts	Accounts Receivable (Deferred Revenue)						
						January 1, 2013	December 31, 2013					
U.S. DEPARTMENT OF AGRICULTURE												
<u>Passed through Pennsylvania Department of Public Welfare</u>												
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	7/1/12-6/30/13	10.561	DC13-045333	19,840	19,840	-	-					
<u>Passed through Pennsylvania Department of Agriculture:</u>												
Emergency Food Assistance Program (Administrative Costs)	7/1/13-6/30/14	10.568	4100037317	2,852	-	-	2,852					
Emergency Food Assistance Program (Food Commodities)	7/1/12-6/30/13	10.569	N/A	142,619	142,619	-	-					
TOTAL U.S. DEPARTMENT OF AGRICULTURE				165,311	162,459	-	2,852					
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT												
Community Development Block Grants/Entitlement Grants	9/1/12-8/31/13 9/1/11-8/31/12	14.218 14.218	B-11-UC-42-0102 B-12-UC-42-0102	2,513,931 1,544,829	3,105,908 1,259,535	591,978 -	285,294					
Emergency Shelter Grants Program	9/13/10-9/13/12 9/2/11-9/2/13 9/10/12-9/10/14 9/5/13-9/5/15	14.231 14.231 14.231 14.231	S-10-UC-42-0010 E-11-UC-42-0010 E-12-UC-42-0010 E-13-UC-42-0010	403 164,329 184,444 9,877	403 187,862 150,622 7,355	- 23,533 - -	- - 33,822 2,521					
Supportive Housing Program	8/1/13-7/31/14	14.235	PA0323L3E031205	14,427	10,427	-	4,000					
Home Investment Partnerships Program	9/13/10-9/30/15 9/2/11-9/30/16 9/10/12-9/30/17 9/5/13-9/30/18	14.239 14.239 14.239 14.239	M-10-UC-42-0504 M-11-UC-42-0504 M-12-UC-42-0504 M-13-UC-42-0504	25,587 154,717 177,399 1,030	34,420 165,629 157,962 -	8,833 13,474 3,844 -	- 2,561 23,281 1,030					
<u>Passed through Pennsylvania Department of Community and Economic Development:</u>												
Community Development Block Grants/Special Purpose Grants/Insular Areas (DCED)	6/10/09-3/19/16	14.228	C000045717	67,344	169,147	101,803	-					
Emergency Shelter Grants Program (DCED)	12/1/11-11/30/13 10/17/12-10/16/14 11/29/12-8/22/14	14.231 14.231 14.231	C000051738 C000052873 C000053455	52,511 84,258 13,613	54,881 76,442 6,269	2,371 - -	- 7,816 7,344					
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				5,008,699	5,386,862	745,836	367,669					
APPALACHIAN REGIONAL COMMISSION												
Appalachian Area Development (Bridgewater)	9/1/11-8/31/13	23.002	PA-16632-214-10	5,658	5,658	-	-					
TOTAL APPALACHIAN REGIONAL COMMISSION				5,658	5,658	-	-					

Beaver County, Pennsylvania

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended December 31, 2013

Federal Granting Agency/Program	Contract Period	Federal CFDA Number	Pass-Through Grant Number	Federal Expenditures	Federal Grant Receipts	Accounts Receivable (Deferred Revenue)	
						January 1, 2013	December 31, 2013
U.S. DEPARTMENT OF JUSTICE							
Public Safety Partnership & Community Policing Grants ARRA Funded	11/22/05 - extended	16.710	N/A	69,539	391,042	321,503	-
Public Safety Partnership & Community Policing Grants ARRA Funded	1/1/10-12/31/13	16.710	N/A	84,008	-	35,992	120,000
Edward Byrne Memorial Justice Assistance Grant Program	7/1/12-6/30/14	16.738	N/A	13,606	13,606	-	-
Edward Byrne Memorial Justice Assistance Grant Program	7/1/12-6/30/13	16.738	N/A	12,415	12,415	-	-
	7/1/13-6/30/14	16.738	N/A	10,214	4,329	-	5,885
Criminal and Juvenile Justice and Mental Health Collaboration Program	7/1/12-6/30/14	16.745	2009-MO-BX-0015	82,510	77,862	-	4,648
Second Chance Act Prisoner Reentry Initiative	7/1/12-6/30/14	16.812	N/A	831,384	768,993	61,831	124,222
<u>Passed through Pennsylvania Commission on Crime and Delinquency:</u>							
Crime Victim Assistance	7/1/11-6/30/13	16.575	VF-17767	38,924	50,188	11,264	-
	7/1/13-6/30/15	16.575	VF-17767	22,362	10,481	-	11,881
Edward Byrne Memorial Justice Assistance Grant Program	7/1/12-6/30/14	16.738	N/A	13,837	21,569	7,732	-
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories	4/1/12-3/31/14	16.803	2009-AJ-02-20805	70,019	112,616	42,597	-
TOTAL U.S. DEPARTMENT OF JUSTICE				1,248,818	1,463,101	480,919	266,636
U.S. DEPARTMENT OF TRANSPORTATION							
<u>Passed through Pennsylvania Department of Transportation:</u>							
Highway Planning and Construction - Veterans Memorial Bridge	9/97 - extended	20.205	28898	5,159,415	5,212,545	1,242,342	1,189,213
Highway Planning and Construction - Washington Avenue Bridge	7/11 - extended	20.205	57103	54,197	71,515	17,318	-
Highway Planning Construction - Lancaster Road Bridge	4/12 - extended	20.205	92314	58,432	83,118	35,253	10,567
TOTAL U.S. DEPARTMENT OF TRANSPORTATION				5,272,044	5,367,178	1,294,913	1,199,780
U.S. DEPARTMENT OF EDUCATION							
<u>Passed through Pennsylvania Department of Public Welfare:</u>							
Special Education - Grants for Infants and Families	7/1/12-6/30/14	84.181	ME6300120231	93,034	57,588	-	35,446
TOTAL U.S. DEPARTMENT OF EDUCATION				93,034	57,588	-	35,446

Beaver County, Pennsylvania

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended December 31, 2013

Federal Granting Agency/Program	Contract Period	Federal CFDA Number	Pass-Through Grant Number	Federal Expenditures	Federal Grant Receipts	Accounts Receivable (Deferred Revenue)						
						January 1, 2013	December 31, 2013					
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES												
<u>Passed through Pennsylvania Department of Aging:</u>												
Special Programs for the Aging_Title VII, Chapter 3_Programs for Prevention of Elder Abuse, Neglect, and Exploitation	7/1/12-6/30/13 7/1/13-6/30/14	93.041 93.041	4100034507 4100034507	993 1,389	993 1,389	-	-					
Special Programs for the Aging_Title VII, Chapter 2_Long Term Care Ombudsman Services for Older Individuals	7/1/12-6/30/13 7/1/13-6/30/14	93.042 93.042	4100034507 4100034507	6,566 3,929	6,566 3,929	-	-					
Special Programs for the Aging_Title III, Part D_Disease Prevention and Health Promotion Services_Med Mgmt	7/1/12-6/30/13 7/1/13-6/30/14	93.043 93.043	4100034507 4100034507	6,328 7,542	6,328 7,542	-	-					
Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers	7/1/12-6/30/13 7/1/13-6/30/14	93.044 93.044	4100034507 4100034507	146,753 146,750	146,753 146,750	-	-					
Special Programs for the Aging_Title III, Part C1_Congregate Meals	7/1/12-6/30/13 7/1/13-6/30/14	93.045 93.045	4100034507 4100034507	158,425 158,424	158,425 158,424	-	-					
National Family Caregiver Support, Title III, Part E	7/1/12-6/30/13 7/1/13-6/30/14	93.052 93.052	4100034507 4100034507	63,830 23,899	63,830 23,899	-	-					
Nutrition Services Incentive Program	7/1/12-6/30/13 7/1/13-6/30/14	93.053 93.053	4100034507 4100034507	23,977 13,856	23,977 13,856	-	-					
Medicare Enrollment Assistance Program (F-MIPPA ADRC)	7/1/13-6/30/14	93.071	4100034507	1,945	1,945	-	-					
Medicare Enrollment Assistance Program (F-MIPPA AAA)	7/1/13-6/30/14	93.071	4100034507	1,195	1,195	-	-					
Medical Assistance Program - Over 60 Medicaid Waiver	7/1/12-6/30/13 7/1/13-6/30/14	93.778 93.778	4100036725 4100036725	112,317 98,449	112,317 97,829	-	620					
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations (APPRISE)	7/1/12-6/30/13 7/1/13-6/30/14	93.779 93.779	4100034507 4100034507	10,042 7,908	10,042 7,908	-	-					
<u>Passed through Pennsylvania Department of Public Welfare:</u>												
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	7/1/12-6/30/14	93.243	ME6300120231	825,640	869,497	136,697	92,840					
Temporary Assistance for Needy Families - TANF	7/1/12-6/30/13 7/1/13-6/30/14	93.558 93.558	ME9661600104 ME9661600104	312,594 335,197	610,435 -	297,841 -	335,197					
Temporary Assistance for Needy Families - TANF	7/1/12-6/30/13	93.558	DC13-045333	89,915	89,915	-	-					
Temporary Assistance for Needy Families - TANF	7/1/12-6/30/13 7/1/13-6/30/14	93.558 93.558	4100057941 4100057941	119,206 39,735	78,642 39,735	-	40,564					

Beaver County, Pennsylvania

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended December 31, 2013

Federal Granting Agency/Program	Contract Period	Federal CFDA Number	Pass-Through Grant Number	Federal Expenditures	Federal Grant Receipts	Accounts Receivable (Deferred Revenue)	
						January 1, 2013	December 31, 2013
Child Support Enforcement - Title IV-D	10/1/10-9/30/15	93.563	4100053549	1,694,561	1,701,130	415,625	409,056
Child Care and Development Block Grant	7/1/12-6/30/13	93.575	DC13-045333	1,756,160	1,626,635	(129,525)	-
Childcare Care Mandatory and Matching Funds of the Child Care and Development Fund - CCDFBG	7/1/12-6/30/13	93.596	DC13-045333	495,644	495,644	-	-
Child Welfare Services_State Grants - Title IV-B	7/1/12-6/30/13	93.645	ME100431600	19,917	19,917	-	-
	7/1/13-6/30/14	93.645	ME100431600	18,756	18,756	-	-
Foster Care_Title IV-E	7/1/12-6/30/13	93.658	ME100421600	4,686	33,157	28,470	-
	7/1/13-6/30/14	93.658	ME100421600	7,528	-	-	7,528
Foster Care_Title IV-E and AFCARS	7/1/11-6/30/12	93.658	ME100421600	9,294	9,294	-	-
	7/1/12-6/30/13	93.658	ME100421600	534,966	974,834	439,868	-
	7/1/13-6/30/14	93.658	ME100421600	397,411	5,835	-	391,576
Foster Care_Title IV-E Information Technology Grant	7/1/12-6/30/13	93.658	ME100421600	19,939	24,652	16,664	11,952
	7/1/13-6/30/14	93.658	ME100421600	17,774	-	-	17,774
Guardianship Assistance - Recovery	7/1/11-6/30/12	93.090	N/A	32	32	-	-
	7/1/12-6/30/13	93.090	N/A	5,175	10,339	5,165	-
	7/1/13-6/30/14	93.090	N/A	6,269	-	-	6,269
Adoption Assistance - Title IV-E	7/1/11-6/30/12	93.659	ME100421600	1,171	1,171	-	-
	7/1/12-6/30/13	93.659	ME100421600	350,339	710,938	360,599	-
	7/1/13-6/30/14	93.659	ME100421600	335,537	1,199	-	334,339
Social Services Block Grant - Childcare Choices	7/1/12-6/30/13	93.667	DC13-045333	295,606	295,606	-	-
Social Services Block Grant - Mental Health/Mental Retardation Program, Early Intervention Program	7/1/12-6/30/14	93.667	ME6300110231	189,386	189,386	-	-
Social Services Block Grant - Title XX	7/1/12-6/30/13	93.667	ME100421600	97,401	97,401	-	-
	7/1/13-6/30/14	93.667	ME100421600	97,400	97,400	-	-
Chafee Foster Care Independence Program	7/1/12-6/30/13	93.674	ME100431600	39,310	52,477	13,167	-
	7/1/13-6/30/14	93.674	ME100431600	12,978	-	-	12,978
Medical Assistance - Mental Health/Mental Retardation Program, Waiver Program, and Early Intervention Program	7/1/12-6/30/14	93.778	ME6300120231	1,417,524	1,379,150	107,724	146,098
Medical Assistance - Title IV-E Medicaid	7/1/11-6/30/12	93.778	ME 100421600	29	735	706	-
	7/1/12-6/30/13	93.778	ME 100421600	5,560	11,059	5,498	-
	7/1/13-6/30/14	93.778	ME 100421600	4,547	-	-	4,547
Foster Care_Title IV-E IT Medicaid Funding	7/1/11-6/30/12	93.778	ME100421600	-	116	116	-
	7/1/12-6/30/13	93.778	ME100421600	77	77	-	-

Beaver County, Pennsylvania

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended December 31, 2013

Federal Granting Agency/Program	Contract Period	Federal CFDA Number	Pass-Through Grant Number	Federal Expenditures	Federal Grant Receipts	Accounts Receivable (Deferred Revenue)	
						January 1, 2013	December 31, 2013
Medical Assistance - Transportation (B.C. Transit Authority) Program	7/1/12-6/30/13 7/1/13-6/30/14	93.778 93.778	ME6300220204 ME6300220204	377,631 446,799	377,631 446,799	- -	- -
Block Grants for Community Mental Health Services	7/1/12-6/30/14	93.958	ME6300110231	194,379	194,379	-	-
<u>Passed through University of Pittsburgh:</u>							
Foster Care _Title IV-E Educators Fund - CWEL	7/1/12-6/30/13 7/1/13-6/30/14	93.658 93.658	ME100421600 ME100421600	- 14,912	10,800 4,261	10,800 -	10,651
<u>Passed through Pennsylvania Department of Health:</u>							
Block Grant for Prevention and Treatment of Substance Abuse	7/1/12-6/30/14	93.959	4100053030	604,319	357,897	-	246,422
<u>Passed through Pennsylvania Department of Community and Economic Development:</u>							
Community Services Block Grant	1/1/12-09/30/13 1/1/12-09/30/13	93.569 93.569	C000052405 C000052883	307,581 80,000	280,033 80,000	50,097 -	77,645
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				12,577,402	12,190,861	1,759,512	2,146,056
<u>U.S. DEPARTMENT OF HOMELAND SECURITY / FEMA</u>							
<u>Passed through Pennsylvania Emergency Management Agency:</u>							
Emergency Management Performance Grant	10/1/12-9/30/13 10/1/13-9/30/14	97.042 97.042	N/A N/A	20,762 5,909	26,453 -	5,691 -	5,909
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY / FEMA				26,671	26,453	5,691	5,909
TOTAL EXPENDITURES OF FEDERAL AWARDS				24,397,637	24,660,160	4,286,871	4,024,348

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Beaver County, Pennsylvania

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
CLUSTER AND PROGRAM TOTALS
For the year ended December 31, 2013**

Program/Cluster	Federal CFDA Number	Federal Expenditures	Federal Grant Receipts	Accounts Receivable (Deferred Revenue)	
				January 1, 2013	December 31, 2013
SNAP Cluster	10.561	19,840	19,840	-	-
Emergency Food Assistance Cluster	10.568 & 10.569	145,471	142,619	-	2,852
CDBG - Entitlement Grants Cluster	14.218 & 14.253	4,058,760	4,365,443	591,978	285,294
Highway Planning and Construction Cluster	20.205	5,272,044	5,367,178	1,294,913	1,199,780
Early Intervention Services (IDEA) Cluster	84.181 & 84.393	93,034	57,588	-	35,446
Aging Cluster	93.044, 93.045, & 93.053	648,185	648,185	-	-
TANF Cluster	93.558	896,647	818,727	297,841	375,761
CSBG Cluster	93.569	387,581	360,033	50,097	77,645
CCDF Cluster	93.575 & 93.596	2,251,804.00	2,122,279.00	(129,525.00)	-
Medicaid Cluster	93.778	2,462,933	2,425,713	114,044	151,265
JAG Program Cluster	16.738 & 16.803	120,091	164,535	50,329	5,885
CDBG - State-Administered CDBG Cluster	14.228	67,344	169,147	101,803	-
Emergency Shelter Grants Program (DCED)	14.231	509,435	483,834	25,904	51,503
Supportive Housing Program	14.235	14,427	10,427	-	4,000
Home Investment Partnerships Program	14.239	358,733	358,011	26,151	26,872
Crime Victim Assistance	16.575	61,286	60,669	11,264	11,881
Public Safety Partnership & Community Policing Grants ARRA Funded	16.710	153,547	391,042	357,495	120,000
Criminal and Juvenile Justice and Mental Health Collaboration Program	16.745	82,510	77,862	-	4,648
Second Chance Act Prisoner Reentry Initiative	16.812	831,384	768,993	61,831	124,222
Appalachian Area Development	23.002	5,658	5,658	-	-
Special Programs for the Aging_Title VII, Chapter 3_Programs	93.041	2,382	2,382	-	-

Beaver County, Pennsylvania

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
CLUSTER AND PROGRAM TOTALS
For the year ended December 31, 2013**

Program/Cluster	Federal CFDA Number	Federal Expenditures	Federal Grant Receipts	Accounts Receivable (Deferred Revenue)	
				January 1, 2013	December 31, 2013
for Prevention of Elder Abuse, Neglect, and Exploitation					
Special Programs for the Aging_Title VII, Chapter 2_Long Term Care Ombudsman Services for Older Individuals	93.042	10,495	10,495	-	-
Special Programs for the Aging_Title III, Part D_Disease Prevention and Health Promotion Services / Med Mgmt	93.043	13,870	13,870	-	-
National Family Caregiver Support, Titel III, Part E	93.052	87,729	87,729	-	-
Medicare Enrollment Assistance Program	93.071	3,140	3,140	-	-
Guardianship Assistance - Recovery	93.090	11,476	10,371	5,165	6,269
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	825,640	869,497	136,697	92,840
Child Support Enforcement - Title IV-D	93.563	1,694,561	1,701,130	415,625	409,056
Child Welfare Services_State Grants - Title IV-B	93.645	38,673	38,673	-	-
Foster Care_Title IV-E	93.658	1,006,510	1,062,833	495,802	439,481
Adoption Assistance - Title IV-E	93.659	687,047	713,308	360,599	334,339
Social Sevices Block Grant	93.667	679,793	679,793	-	-
Chafee Foster Care Independence Program	93.674	52,288	52,477	13,167	12,978
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations (APPRISE)	93.779	17,950	17,950	-	-
Block Grants for Community Mental Health Services	93.958	194,379	194,379	-	-
Block Grant for Prevention and Treatment of Substance Abuse	93.959	604,319	357,897	-	246,422
Emergency Management Performance Grant	97.042	26,671	26,453	5,691	5,909
TOTAL EXPENDITURES OF FEDERAL AWARDS		24,397,637	24,660,160	4,286,871	4,024,348

County of Beaver, Pennsylvania

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended December 31, 2013

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the County of Beaver, Pennsylvania, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B – OUTSTANDING FEDERAL LOANS

During 2013, the County had a loan outstanding under CFDA #14.248. The outstanding balance of this loan at December 31, 2013 was \$490,048.

September 26, 2014

The Board of County Commissioners and the Controller
County of Beaver
Beaver, Pennsylvania

**INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING "AGREED-UPON
PROCEDURES" FOR FISCAL YEAR FINANCIAL
SCHEDULES AND EXHIBITS**

We have performed the procedures enumerated below, which were agreed to by the Commonwealth of Pennsylvania, Department of Public Welfare (DPW), and the County of Beaver solely to assist you with respect to the financial schedules and exhibits required by the DPW Single Audit Supplement. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the DPW. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested, or for any other purpose.

The procedures and associated findings are as follows:

- a. We have verified by comparison of the amounts and classifications that the supplemental financial schedules and exhibits listed below, which summarize amounts reported to DPW for fiscal periods ended June 30, 2013 and December 31, 2013, have been accurately compiled and reflect the audited books and records of the County of Beaver. We have also verified by comparison to the example schedules that these schedules are presented, at a minimum, at the level of detail and in the format required by the DPW Single Audit Supplement pertaining to these periods.

<u>Program Name</u>	<u>Exhibit Number</u>	<u>Referenced Schedule/Exhibit</u>
Child Support Enforcement	A-1(a)	Comparison of Single Audit Expenditures with Reported Expenditures
County Children and Youth Program	I	Schedule of Revenues and Expenditures
Medical Assistance Transportation Program	III	Schedule of Revenues and Expenditures
Early Intervention Services	V (a) EI	Schedule of Revenues, Expenditures, and Carryover Funds
Early Intervention Program	V (b) EI	Report of Income and Expenditures
County Human Services Block Grant	VI (a) BG-S	Report of Income and Expenditures
County Human Services Block Grant	VI (b) BG-S	Report of Income and Expenditures
Combined Homeless Assistance Program	XIX(a)	Sources of Funding and Summary of Expenses

- b. We have inquired of management regarding adjustments to reported revenues or expenditures, which were not reflected on the reports submitted to DPW for the periods in question.
- c. The processes detailed in paragraphs (a) and (b) above disclosed no adjustments and/or findings which have not been reflected on the corresponding schedules.

We were not engaged to, and did not perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the Department of Public Welfare and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

The Binkley Kanawy Group, LLC

Certified Public Accountants

EXHIBIT A-1 (a)

County of Beaver, Pennsylvania

CHILD SUPPORT ENFORCEMENT
COMPARISON OF SINGLE AUDIT EXPENDITURES WITH REPORTED EXPENDITURES
For the Twelve Month Period Ended December 31, 2013

Quarter Ending:	Single Audit Expenditures					Reported Expenditures					Single Audit Over/(Under) Reported				
	A. Total	B. Unallowable	C. Incentive Paid Costs	Net (A - B - C)	Amt. Paid	A. Total	B. Unallowable	C. Incentive Paid Costs	Net (A - B - C)	Amt. Paid	A. Total	B. Unallowable	C. Incentive Paid Costs	Net (A - B - C)	Amt. Paid
3/31/2013															
1. Salary/Overhead	\$ 619,689	\$ 26,140	\$ 57,245	\$ 536,304	\$ 353,961	\$ 619,689	\$ 26,140	\$ 57,245	\$ 536,304	\$ 353,961	\$ -	\$ -	\$ -	\$ -	\$ -
2. Fees & Costs	6	-	-	6	3	6	-	-	6	3	-	-	-	-	-
3. Interest/Prog. Income	11,229	504	-	10,725	7,078	11,229	504	-	10,725	7,078	-	-	-	-	-
4. Blood Testing Fees	691	-	-	691	456	691	-	-	691	456	-	-	-	-	-
5. Blood Testing Costs	2,880	-	-	2,880	1,901	2,880	-	-	2,880	1,901	-	-	-	-	-
6. ADP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Total (1-2-3-4+5+6)	\$ 610,643	\$ 25,636	\$ 57,245	\$ 527,762	\$ 348,325	\$ 610,643	\$ 25,636	\$ 57,245	\$ 527,762	\$ 348,325	\$ -	\$ -	\$ -	\$ -	\$ -

Quarter Ending:	Single Audit Expenditures					Reported Expenditures					Single Audit Over/(Under) Reported				
	A. Total	B. Unallowable	C. Incentive Paid Costs	Net (A - B - C)	Amt. Paid	A. Total	B. Unallowable	C. Incentive Paid Costs	Net (A - B - C)	Amt. Paid	A. Total	B. Unallowable	C. Incentive Paid Costs	Net (A - B - C)	Amt. Paid
6/30/2013															
1. Salary/Overhead	\$ 548,946	\$ 17,768	\$ 56,144	\$ 475,034	\$ 313,522	\$ 548,946	\$ 17,768	\$ 56,144	\$ 475,034	\$ 313,522	\$ -	\$ -	\$ -	\$ -	\$ -
2. Fees & Costs	6	-	-	6	3	6	-	-	6	3	-	-	-	-	-
3. Interest/Prog. Income	11,674	387	-	11,287	7,449	11,674	387	-	11,287	7,449	-	-	-	-	-
4. Blood Testing Fees	842	-	-	842	555	842	-	-	842	555	-	-	-	-	-
5. Blood Testing Costs	2,816	-	-	2,816	1,859	2,816	-	-	2,816	1,859	-	-	-	-	-
6. ADP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Total (1-2-3-4+5+6)	\$ 539,240	\$ 17,381	\$ 56,144	\$ 465,715	\$ 307,374	\$ 539,240	\$ 17,381	\$ 56,144	\$ 465,715	\$ 307,374	\$ -	\$ -	\$ -	\$ -	\$ -

EXHIBIT A-1 (a) - (continued)

County of Beaver, Pennsylvania

CHILD SUPPORT ENFORCEMENT
COMPARISON OF SINGLE AUDIT EXPENDITURES WITH REPORTED EXPENDITURES (CONTINUED)
For the Twelve Month Period Ended December 31, 2013

Quarter Ending:	Single Audit Expenditures					Reported Expenditures					Single Audit Over (Under) Reported				
	A. Total	B. Unallowable	C. Incentive Paid Costs	Net (A - B - C)	Amt. Paid	A. Total	B. Unallowable	C. Incentive Paid Costs	Net (A - B - C)	Amt. Paid	A. Total	B. Unallowable	C. Incentive Paid Costs	Net (A - B - C)	Amt. Paid
9/30/2013															
1. Salary/Overhead	\$ 604,075	\$ 21,549	\$ 56,204	\$ 526,322	\$ 347,373	\$ 604,075	\$ 21,549	\$ 56,204	\$ 526,322	\$ 347,373	\$ -	\$ -	\$ -	\$ -	\$ -
2. Fees & Costs	6	-	-	6	4	6	-	-	6	4	-	-	-	-	-
3. Interest/Prog. Income	11,263	399	-	10,864	7,170	11,263	399	-	10,864	7,170	-	-	-	-	-
4. Blood Testing Fees	912	-	-	912	602	912	-	-	912	602	-	-	-	-	-
5. Blood Testing Costs	3,040	-	-	3,040	2,006	3,040	-	-	3,040	2,006	-	-	-	-	-
6. ADP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Total (1-2-3-4+5+6)	\$ 594,934	\$ 21,150	\$ 56,204	\$ 517,580	\$ 341,603	\$ 594,934	\$ 21,150	\$ 56,204	\$ 517,580	\$ 341,603	\$ -	\$ -	\$ -	\$ -	\$ -
Quarter Ending:	Single Audit Expenditures					Reported Expenditures					Single Audit Over (Under) Reported				
12/31/2013	A. Total	B. Unallowable	C. Incentive Paid Costs	Net (A - B - C)	Amt. Paid	A. Total	B. Unallowable	C. Incentive Paid Costs	Net (A - B - C)	Amt. Paid	A. Total	B. Unallowable	C. Incentive Paid Costs	Net (A - B - C)	Amt. Paid
1. Salary/Overhead	\$ 810,041	\$ 27,405	\$ 56,486	\$ 726,150	\$ 479,260	\$ 810,041	\$ 27,405	\$ 56,486	\$ 726,150	\$ 479,260	\$ -	\$ -	\$ -	\$ -	\$ -
2. Fees & Costs	6	-	-	6	3	6	-	-	6	3	-	-	-	-	-
3. Interest/Prog. Income	11,322	390	-	10,932	7,215	11,322	390	-	10,932	7,215	-	-	-	-	-
4. Blood Testing Fees	768	-	-	768	507	768	-	-	768	507	-	-	-	-	-
5. Blood Testing Costs	2,208	-	-	2,208	1,457	2,208	-	-	2,208	1,457	-	-	-	-	-
6. ADP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Total (1-2-3-4+5+6)	\$ 800,153	\$ 27,015	\$ 56,486	\$ 716,652	\$ 472,992	\$ 800,153	\$ 27,015	\$ 56,486	\$ 716,652	\$ 472,992	\$ -	\$ -	\$ -	\$ -	\$ -

County of Beaver, Pennsylvania

MEDICAL ASSISTANCE TRANSPORTATION PROGRAM
 SCHEDULE OF REVENUES AND EXPENDITURES
 For the Twelve Month Period Ended June 30, 2013

<u>Service Data</u>	<u>Reported</u>	<u>Actual</u>
Expenditures		
Group I Clients	*	\$ 1,571,701
Group II Clients	*	<u>236,081</u>
Total Expenditures	*	<u>\$ 1,807,782</u>
 <u>Allocation Data</u>		
Revenues		
Pennsylvania Department of Public Welfare	\$ 1,781,301	\$ 1,832,618
Interest Income	<u>-</u>	<u>4</u>
Total Revenues	<u>\$ 1,781,301</u>	<u>\$ 1,832,622</u>
Funds Expended		
Operating Costs	*	1,519,090
Administrative Costs	*	<u>288,692</u>
Excess Revenues over Expenditures		<u>\$ 24,840</u>

* The Authority does not provide for budgeted expenditures/trips between Group I and Group II clients. Services costs and administration costs are allocated based on actual trips.

County of Beaver, Pennsylvania

**SCHEDULE OF REVENUES, EXPENDITURES, AND CARRYOVER FUNDS
EARLY INTERVENTION SERVICES**
For the Twelve Month Period Ended June 30, 2013

Sources of Funding	DPW Funds Available				Cost Eligible for DPW Participation	Balance of Funds	Grant Fund Adjs.	Total Fund Balance
	App	Carryover	Allotment	Total Allocation				
	(1)	(2)	(3)	(4)				
A. Early Intervention								
1. Early Intervention Services	10235	\$ 1,007	\$ 986,341	\$ 987,348	\$ 981,130	\$ 6,218	\$ -	\$ 6,218
2. Early Intervention - Training	10235	-	5,085	5,085	5,085	-	-	-
3. Early Intervention Administration	10235	-	43,216	43,216	43,216	-	-	-
4. Infant & Toddlers w/ Disabilities (Part C)	70170	-	93,034	93,034	93,034	-	-	-
5. IT & F Waiver Admin	10235/7018 4	-	8,574	8,574	8,574	-	-	-
7. Reserved	00001	-	-	-	-	-	-	-
8. Total		\$ 1,007	\$ 1,136,250	\$ 1,137,257	\$ 1,131,039	\$ 6,218	\$ -	\$ 6,218

County of Beaver, Pennsylvania

**REPORT OF INCOME AND EXPENDITURES
EARLY INTERVENTION PROGRAM**
For the Twelve Month Period Ended June 30, 2013

	Admin Office	Early Intervention	Supports Coordination	Total
I. TOTAL ALLOCATION				\$1,137,257
II. TOTAL EXPENDITURES	\$64,673	\$873,978	\$470,589	\$1,409,240
III. COSTS OVER ALLOCATION				
A. County Funded Eligible	\$0	\$0	\$0	\$0
B. County Funded Ineligible	\$65	\$0	\$0	\$65
C. Other Eligible	\$0	\$0	\$0	\$0
D. Other Ineligible	\$0	\$0	\$0	\$0
Subtotal Costs Over Allocation	\$65	\$0	\$0	\$65
IV. REVENUE				
A. Program Service Fees	\$0	\$0	\$0	\$0
B. Private Insurance Fees	\$0	\$0	\$0	\$0
C. Medical Assistance	\$0	\$0	\$145,403	\$145,403
D. Earned Interest	\$22	\$0	\$0	\$22
E. Other	\$7,995	\$0	\$0	\$7,995
Subtotal Revenues	\$8,017	\$0	\$145,403	\$153,420
V. DPW REIMBURSEMENT				
C. DPW Categorical Funding 90%	\$43,216	\$786,581	\$292,668	\$1,122,465
D. DPW Categorical Funding 100%	\$8,574	\$0	\$0	\$8,574
Subtotal DPW Reimbursement	\$51,790	\$786,581	\$292,668	\$1,131,039
VI. COUNTY MATCH				
10% County Match	\$4,801	\$87,397	\$32,518	\$124,716
Subtotal County Match	\$4,801	\$87,397	\$32,518	\$124,716
VII. TOTAL DPW REIMBURSEMENT AND COUNTY MATCH	\$56,591	\$873,978	\$325,186	\$1,255,755
VIII. TOTAL CARRYOVER				\$6,218

County of Beaver, Pennsylvania

**COUNTY REPORT OF INCOME AND EXPENDITURES
COUNTY HUMAN SERVICES BLOCK GRANT
For the Twelve Month Period Ended June 30, 2013**

Schedule of Fund Balances – Summary Report

County Match	0.00%
Actual County Match (\$)	\$549,436
Actual County Match (%)	0.045926171

Block Grant Reporting		Costs Eligible for DPW Participation (2)											
Sources of Funding:	Appropriation	DPW Allocation (1)	Mental Health	Intellectual Disabilities	Homeless Assistance	Child Welfare	HSS	D&A	Total	Balance of Funds (3)	Adjustments (4)	Total Fund Balance (5)	
1 State Human Services Block Grant	Multiple	\$11,663,449	\$7,462,001	\$2,223,136	\$116,530	\$937,843	\$214,466	\$497,719	\$11,451,695	\$211,754	\$2,674	\$214,428	
2 SSBG	Multiple	\$189,385	\$93,914	\$95,471	\$0				\$189,385	\$0	\$0	\$0	
3 SABG	70113		\$0		\$0				\$0	\$0	\$0	\$0	
4 CMHSBG	70167	\$194,379	\$194,379						\$194,379	\$0	\$0	\$0	
5 MA	70175	\$128,003		\$128,003					\$128,003	\$0	\$0	\$0	
6 Crisis Counseling	80222		\$0	\$0					\$0	\$0	\$0	\$0	
Total for Block Grant		\$12,175,216	\$7,750,294	\$2,446,610	\$116,530	\$937,843	\$214,466	\$497,719	\$11,963,462	\$211,754	\$2,674	\$214,428	

Retained Earnings	
I. Unexpended Allocation	\$214,428
II. Maximum Retained Earnings (3%)	\$349,903
III. Waiver Requested Money (if applicable)	\$0
IV. Total Requested Retained Earnings	\$211,754

County of Beaver, Pennsylvania

Sources of Funding and Summary of Expenses
 COMBINED HOMELESS ASSISTANCE PROGRAM
 For the Twelve Month Period Ended June 30, 2013

	Bridge Housing	Case Management	Rental Assistance	Emergency Shelter	Other Housing Supports	Total
I. TOTAL EXPENDITURES						
A. Personnel	\$0	\$0	\$0	\$0	\$0	\$0
B. Operating	\$0	\$0	\$0	\$0	\$0	\$0
C. Purchased Services	\$0	\$76,343	\$33,627	\$2,746	\$3,814	\$116,530
Subtotal Expenditures	\$0	\$76,343	\$33,627	\$2,746	\$3,814	\$116,530
II. REVENUES						
A. Client Fees	\$0	\$0	\$0	\$0	\$0	\$0
B. County/Other Funded Eligible	\$0	\$0	\$0	\$0	\$0	\$0
C. County/Other Funded Ineligible	\$0	\$0	\$0	\$0	\$0	\$0
D. Other	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Revenues	\$0	\$0	\$0	\$0	\$0	\$0
III. DPW REIMBURSEMENT						
A. State Human Services Block Grant	\$0	\$76,343	\$33,627	\$2,746	\$3,814	\$116,530
B. SSBG	\$0	\$0	\$0	\$0	\$0	\$0
C. SABG	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal DPW Reimbursement	\$0	\$76,343	\$33,627	\$2,746	\$3,814	\$116,530
VI. COUNTY MATCH	\$0	\$0	\$0	\$0	\$0	\$0
V. TOTAL ALL REVENUES	\$0	\$76,343	\$33,627	\$2,746	\$3,814	\$116,530

OTHER REPORTS OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Board of County Commissioners
and the Beaver County Controller
County of Beaver
Beaver, Pennsylvania

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 AND THE PENNSYLVANIA DEPARTMENT
OF PUBLIC WELFARE'S SINGLE AUDIT SUPPLEMENT**

Report on Compliance for Each Major Federal Program

We have audited the County of Beaver's (the County) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *Pennsylvania Department of Public Welfare's (DPW) Single Audit Supplement* that could have a direct and material effect on each of the County's major federal and DPW programs for the year ended December 31, 2013. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Our report includes a reference to other auditors who audited the financial statements of the Beaver County Transit Authority and the Community College of Beaver County, as of and for the year ended June 30, 2013, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of compliance with the requirements for each major program and on internal control over compliance required by OMB Circular A-133 that are reported on separately by those auditors.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and DPW programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal and DPW programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; *Pennsylvania DPW's Single Audit Supplement*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or DPW program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and DPW program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and DPW programs for the year ended December 31, 2013.

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and DPW program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and DPW program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and the *Pennsylvania DPW Single Audit Supplement*. Accordingly, this report is not suitable for any other purpose.

The Binkley Kanavy Group, LLC

Certified Public Accountants
Pittsburgh, Pennsylvania
September 26, 2014

The Board of County Commissioners
and the Beaver County Controller
County of Beaver
Beaver, Pennsylvania

**INDEPENDENT AUDITOR'S 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**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Beaver (the County) as of and for the year ended December 31, 2013 (with the aggregate discretely presented component units as of and for the year ended June 30, 2013), and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 26, 2014. Our report includes a reference to other auditors who audited the financial statements of the Beaver County Transit Authority and the Community College of Beaver County as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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

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

Compliance and Other Matters

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

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 result 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.

The Binkley Kanavy Group, LLC

Certified Public Accountants
Pittsburgh, Pennsylvania
September 26, 2014

County of Beaver, Pennsylvania

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2013

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	No
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

Identification of major programs:

CFDA Number(s):	Name of Federal Program or Cluster:
14.218	CDBG – Entitlement Grants Cluster
16.812	Second Chance Act Prisoner Reentry Initiative
93.575 & 93.596	Child Care & Development Fund (CCDF) Cluster
93.667	Social Services Block Grant
93.778	Medicaid Cluster
93.659	Adoption Assistance – Title IV-E

Dollar threshold used to distinguish
between type A and type B programs: \$ 731,929

Auditee qualified as low risk auditee? Yes

Section II - Financial Statement Findings

No Findings Noted.

Section III - Federal Award Findings and Questioned Costs

See Summary Schedule of Audit Findings on the following page.

County of Beaver, Pennsylvania

SUMMARY SCHEDULE OF CURRENT AND PRIOR AUDIT FINDINGS
Year Ended December 31, 2013

SUMMARY SCHEDULE OF AUDIT FINDINGS

No findings noted.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No findings noted.