

**Borough of Indiana
80 North 8th Street
Indiana, Pennsylvania 15701**

Audit Report

**For the Year Ended
December 31, 2018**

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Independent Auditors' Report

Borough Council
Indiana Borough
80 North 8th Street
Indiana, Pennsylvania

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Indiana, Indiana County, Pennsylvania, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Indiana, Indiana County, as of December 31, 2018, and the respective changes in modified cash basis financial position for the year then ended, in accordance with the basis of accounting described in Note 2.

Basis of Accounting

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

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough's financial statements as a whole. The combining governmental and proprietary fund financial statements (on pages 33-38) are presented for purposes of additional analysis and are not a required part of the financial statements. The combining governmental fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

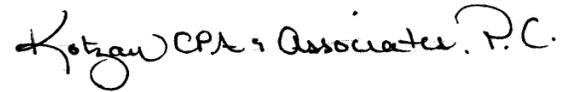
Other Information

The Governmental Accounting Standards Board requires that the budgetary comparison information on page 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Borough of Indiana, Indiana County, has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board requires to supplement, although not to be a part of, the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2019 on our consideration of the Borough of Indiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Borough of Indiana's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough of Indiana's internal control over financial reporting and compliance.

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

Kotzan CPA & Associates, P.C.
Johnstown, Pennsylvania
March 28, 2019

Borough of Indiana
Statement of Net Position – Modified Cash Basis
December 31, 2018

| | Governmental Activities | Business-type Activities | Total |
|--|----------------------------|-----------------------------|--------------|
| Assets | | | |
| Cash and equivalents | \$ 657,766 | \$ 2,067,857 | \$ 2,725,623 |
| Investments | 0 | 1,326,080 | 1,326,080 |
| Internal balances | 1,997,283 | 208,500 | 2,205,783 |
| Total assets | 2,655,049 | 3,602,437 | 6,257,486 |
| Deferred Outflows of Resources | | | |
| | 0 | 0 | 0 |
| Total assets and deferred outflows of resources | \$ 2,655,049 | \$ 3,602,437 | \$ 6,257,486 |
| Liabilities | | | |
| Payroll withholdings | \$ 13,535 | \$ 0 | \$ 13,535 |
| Internal balances | 208,500 | 1,997,283 | 2,205,783 |
| Total liabilities | 222,035 | 1,997,283 | 2,219,318 |
| Deferred Inflows of Resources | | | |
| | 0 | 0 | 0 |
| Net Position | | | |
| Restricted (Note 2C) | 570,265 | 0 | 570,265 |
| Unrestricted | 1,862,749 | 1,605,154 | 3,467,903 |
| Total net position | 2,433,014 | 1,605,154 | 4,038,168 |
| Total liabilities, deferred inflows of resources and net position | \$ 2,655,049 | \$ 3,602,437 | \$ 6,257,486 |

See accompanying notes to the basic financial statements.

Borough of Indiana
Statement of Activities – Modified Cash Basis
For the Year Ended December 31, 2018

| | Expenses | Program Revenues | | | Net (Expenses) Revenues and Changes in Net Position | | |
|---|----------------------|-------------------------|---------------------------------------|-------------------------------------|--|-----------------------------|--------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| Governmental Activities: | | | | | | | |
| General government | \$ 676,445 | \$ 146,860 | \$ 9,191 | \$ 0 | \$ (520,394) | \$ 0 | \$ (520,394) |
| Public safety | 3,271,228 | 480,204 | 125,416 | 10,780 | (2,654,828) | 0 | (2,654,828) |
| Public works - highways, roads and streets | 1,097,013 | 794,870 | 386,057 | 0 | 83,914 | 0 | 83,914 |
| Other public works | 56,165 | 0 | 4,172 | 0 | (51,993) | 0 | (51,993) |
| Culture and recreation | 2,107,234 | 0 | 0 | 0 | (2,107,234) | 0 | (2,107,234) |
| Community development | 12,315 | 0 | 0 | 28,565 | 16,250 | 0 | 16,250 |
| Principal and interest on indebtedness, net proceeds | (1,647,694) | 0 | 0 | 0 | 1,647,694 | 0 | 1,647,694 |
| Benefits | 573,147 | 0 | 296,486 | 0 | (276,661) | 0 | (276,661) |
| Insurance | 111,375 | 0 | 0 | 0 | (111,375) | 0 | (111,375) |
| Total governmental activities | <u>6,257,228</u> | <u>1,421,934</u> | <u>821,322</u> | <u>39,345</u> | <u>(3,974,627)</u> | <u>0</u> | <u>(3,974,627)</u> |
| Business-type Activities: | | | | | | | |
| Sewer | 2,791,622 | 3,651,273 | 0 | 0 | 0 | 859,651 | 859,651 |
| Parking | 420,578 | 835,035 | 0 | 0 | 0 | 414,457 | 414,457 |
| Sanitation | 704,433 | 798,015 | 0 | 6,217 | 0 | 99,799 | 99,799 |
| Principal and interest on indebtedness | 1,369,886 | 0 | 0 | 0 | 0 | (1,369,886) | (1,369,886) |
| Total business-type activities | <u>5,286,519</u> | <u>5,284,323</u> | <u>0</u> | <u>6,217</u> | <u>0</u> | <u>4,021</u> | <u>4,021</u> |
| Total primary government | <u>\$ 11,543,747</u> | <u>\$ 6,706,257</u> | <u>\$ 821,322</u> | <u>\$ 45,562</u> | <u>(3,974,627)</u> | <u>4,021</u> | <u>(3,970,606)</u> |

See accompanying notes to the basic financial statements.

Borough of Indiana
Statement of Activities – Modified Cash Basis
For the Year Ended December 31, 2018

| | Expenses | Program Revenues | | Net (Expenses) Revenues and Changes in Net Position | | | |
|-----------------------------------|----------------------|-------------------------|---------------------------------------|--|----------------------------|-----------------------------|-----------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| Total primary government | <u>\$ 11,534,747</u> | <u>\$ 6,706,257</u> | <u>\$ 821,322</u> | <u>\$ 45,562</u> | <u>\$ (3,974,627)</u> | <u>\$ 4,021</u> | <u>\$ (3,970,606)</u> |
| General Revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Property tax | | | | | 3,078,205 | 0 | 3,078,205 |
| Income tax | | | | | 691,128 | 0 | 691,128 |
| Flat rate assessments | | | | | 347,425 | 0 | 347,425 |
| Investment income | | | | | 10,158 | 41,018 | 51,176 |
| Other | | | | | 3,984 | 0 | 3,984 |
| Total general revenues | | | | | <u>4,130,900</u> | <u>41,018</u> | <u>4,171,918</u> |
| Special Items: | | | | | | | |
| Gain from fixed asset disposition | | | | | <u>7,950</u> | <u>0</u> | <u>7,950</u> |
| Total special items | | | | | <u>7,950</u> | <u>0</u> | <u>7,950</u> |
| Change in net position | | | | | 164,223 | 45,039 | 209,262 |
| Net position - beginning of year | | | | | <u>2,268,791</u> | <u>1,560,115</u> | <u>3,828,906</u> |
| Net position - end of year | | | | | <u>\$ 2,433,014</u> | <u>\$ 1,605,154</u> | <u>\$ 4,038,168</u> |

See accompanying notes to the basic financial statements.

Borough of Indiana
Balance Sheet – Modified Cash Basis
Governmental Funds
December 31, 2018

| | General Fund | Major Fund Special Revenue Fund | Non-Major Fund Capital Projects Fund | Total Governmental Funds |
|---|---------------------|---------------------------------------|--|--------------------------------|
| Assets | | | | |
| Cash | \$ 96,765 | \$ 552,987 | \$ 8,014 | \$ 657,766 |
| Interfund receivables | <u>1,997,283</u> | <u>9,264</u> | <u>0</u> | <u>2,006,547</u> |
| Total assets | 2,094,048 | 562,251 | 8,014 | 2,664,313 |
| Deferred Outflows of Resources | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Total assets and deferred outflows of resources | <u>\$ 2,094,048</u> | <u>\$ 562,251</u> | <u>\$ 8,014</u> | <u>\$ 2,664,313</u> |
| Liabilities | | | | |
| Payroll withholdings | \$ 13,535 | \$ 0 | \$ 0 | \$ 13,535 |
| Interfund payables | <u>217,764</u> | <u>0</u> | <u>0</u> | <u>217,764</u> |
| Total liabilities | <u>231,299</u> | <u>0</u> | <u>0</u> | <u>231,299</u> |
| Deferred Inflows of Resources | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Fund Balance | | | | |
| Restricted (Note 2C) | 0 | 562,251 | 8,014 | 570,265 |
| Unassigned | <u>1,862,749</u> | <u>0</u> | <u>0</u> | <u>1,862,749</u> |
| Total fund balance | <u>1,862,749</u> | <u>562,251</u> | <u>8,014</u> | <u>2,433,014</u> |
| Total liabilities, deferred inflows of resources, and fund balance | <u>\$ 2,094,048</u> | <u>\$ 562,251</u> | <u>\$ 8,014</u> | <u>\$ 2,664,313</u> |

See accompanying notes to the basic financial statements.

Borough of Indiana
Statement of Revenues, Expenditures, and Changes in Fund
Balances – Modified Cash Basis
Governmental Funds
For the Year Ended December 31, 2018

| | General Fund | Major Fund Special Revenue Fund | Non-Major Fund Capital Projects Fund | Total Governmental Funds |
|--|---------------------|---------------------------------------|--|--------------------------------|
| Revenues | | | | |
| Taxes | \$ 3,908,077 | \$ 196,364 | \$ 0 | \$ 4,104,441 |
| Intergovernmental | 463,830 | 386,057 | 0 | 849,887 |
| Charges for services | 1,057,430 | 0 | 0 | 1,057,430 |
| Fines and forfeitures | 148,418 | 0 | 0 | 148,418 |
| Licenses and permits | 146,503 | 0 | 0 | 146,503 |
| Assessments | 0 | 12,317 | 0 | 12,317 |
| Interest, rents and royalties | 7,218 | 3,258 | 40 | 10,516 |
| Private sector funding | 0 | 0 | 10,780 | 10,780 |
| Miscellaneous | 3,984 | 0 | 0 | 3,984 |
| Total revenues | <u>5,735,460</u> | <u>597,996</u> | <u>10,820</u> | <u>6,344,276</u> |
| Expenditures | | | | |
| General government | 676,445 | 0 | 0 | 676,445 |
| Public safety | 3,150,308 | 80,820 | 40,100 | 3,271,228 |
| Public works: | | | | |
| Highways, roads and streets | 846,039 | 250,974 | 0 | 1,097,013 |
| Other public works | 56,165 | 0 | 0 | 56,165 |
| Culture and recreation | 2,020,775 | 86,459 | 0 | 2,107,234 |
| Community development | 0 | 12,315 | 0 | 12,315 |
| Debt service: | | | | |
| Principal | 1,400,000 | 0 | 13,124 | 1,413,124 |
| Interest | 39,788 | 0 | 576 | 40,364 |
| Benefits | 573,147 | 0 | 0 | 573,147 |
| Insurance | 111,375 | 0 | 0 | 111,375 |
| Total expenditures | <u>8,874,042</u> | <u>430,568</u> | <u>53,800</u> | <u>9,358,410</u> |
| Excess (deficiency) of revenues over expenditures | <u>(3,138,582)</u> | <u>167,428</u> | <u>(42,980)</u> | <u>(3,014,134)</u> |
| Other financing sources (uses) | | | | |
| Proceeds from the disposition of assets | 0 | 7,950 | 0 | 7,950 |
| Proceeds from debt | 3,118,468 | 0 | 0 | 3,118,468 |
| Financing fees | (17,286) | 0 | 0 | (17,286) |
| Operating transfers | (49,496) | 0 | 49,496 | 0 |
| Refund of prior year expenditures | 0 | 69,225 | 0 | 69,225 |
| Total other financing sources (uses) | <u>3,051,686</u> | <u>77,175</u> | <u>49,496</u> | <u>3,178,357</u> |
| Net change in fund balance | (86,896) | 244,603 | 6,516 | 164,223 |
| Fund balance - beginning of year | <u>1,949,645</u> | <u>317,648</u> | <u>1,498</u> | <u>2,268,791</u> |
| Fund balance - end of year | <u>\$ 1,862,749</u> | <u>\$ 562,251</u> | <u>\$ 8,014</u> | <u>\$ 2,433,014</u> |

See accompanying notes to the basic financial statements.

Borough of Indiana
Statement of Net Position – Modified Cash Basis
Proprietary Funds
December 31, 2018

| | Major Fund Sewer Fund | Major Fund Parking Fund | Major Fund Sanitation Fund | Total |
|---|--------------------------|----------------------------|----------------------------------|---------------------|
| Assets | | | | |
| Cash and equivalents | \$ 1,289,704 | \$ 142,544 | \$ 635,609 | \$ 2,067,857 |
| Investments | 1,326,080 | 0 | 0 | 1,326,080 |
| Interfund receivables | <u>208,500</u> | <u>0</u> | <u>0</u> | <u>208,500</u> |
| Total assets | 2,824,284 | 142,544 | 635,609 | 3,602,437 |
| Deferred Outflows of Resources | | | | |
| | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Total assets and deferred outflows of resources | <u>\$ 2,824,284</u> | <u>\$ 142,544</u> | <u>\$ 635,609</u> | <u>\$ 3,602,437</u> |
| Liabilities | | | | |
| Interfund payables | <u>\$ 67,591</u> | <u>\$ 1,929,692</u> | <u>\$ 0</u> | <u>\$ 1,997,283</u> |
| Total liabilities | <u>67,591</u> | <u>1,929,692</u> | <u>0</u> | <u>1,997,283</u> |
| Deferred Inflows of Resources | | | | |
| | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Net Position | | | | |
| Unrestricted | <u>2,756,693</u> | <u>(1,787,148)</u> | <u>635,609</u> | <u>1,605,154</u> |
| Total net position | <u>2,756,693</u> | <u>(1,787,148)</u> | <u>635,609</u> | <u>1,605,154</u> |
| Total liabilities, deferred inflows of resources and net position | <u>\$ 2,824,284</u> | <u>\$ 142,544</u> | <u>\$ 635,609</u> | <u>\$ 3,602,437</u> |

See accompanying notes to the basic financial statements.

Borough of Indiana
Statement of Revenues, Expenses, and Changes in Fund
Net Position – Modified Cash Basis
Proprietary Funds
For the Year Ended December 31, 2018

| | Major Fund Sewer Fund | Major Fund Parking Fund | Major Fund Sanitation Fund | Total |
|--|--------------------------|----------------------------|----------------------------------|---------------------|
| Operating Revenues: | | | | |
| Charges for services: | | | | |
| Sewer | \$ 3,651,273 | \$ 0 | \$ 0 | \$ 3,651,273 |
| Sanitation | 0 | 0 | 798,015 | 798,015 |
| Parking | <u>0</u> | <u>835,035</u> | <u>0</u> | <u>835,035</u> |
| Total operating revenues | <u>3,651,273</u> | <u>835,035</u> | <u>798,015</u> | <u>5,284,323</u> |
| Operating Expenses: | | | | |
| Sewer | 2,791,622 | 0 | 0 | 2,791,622 |
| Sanitation | 0 | 0 | 704,433 | 704,433 |
| Parking | <u>0</u> | <u>420,578</u> | <u>0</u> | <u>420,578</u> |
| Total operating expenses | <u>2,791,622</u> | <u>420,578</u> | <u>704,433</u> | <u>3,916,633</u> |
| Operating income (loss) | <u>859,651</u> | <u>414,457</u> | <u>93,582</u> | <u>1,367,690</u> |
| Non-Operating Revenues (Expenses): | | | | |
| Investment income | 36,016 | 782 | 4,220 | 41,018 |
| Capital grant | 0 | 0 | 6,217 | 6,217 |
| Debt service: | | | | |
| Principal | (895,507) | (227,684) | 0 | (1,123,191) |
| Interest | <u>(161,698)</u> | <u>(84,997)</u> | <u>0</u> | <u>(246,695)</u> |
| Total non-operating revenues (expenses) | <u>(1,021,189)</u> | <u>(311,899)</u> | <u>10,437</u> | <u>(1,322,651)</u> |
| Change in net position | (161,538) | 102,558 | 104,019 | 45,039 |
| Total net position - beginning | <u>2,918,231</u> | <u>(1,889,706)</u> | <u>531,590</u> | <u>1,560,115</u> |
| Total net position - ending | <u>\$ 2,756,693</u> | <u>\$ (1,787,148)</u> | <u>\$ 635,609</u> | <u>\$ 1,605,154</u> |

See accompanying notes to the basic financial statements.

Borough of Indiana
Statement of Fiduciary Net Position – Modified Cash Basis
Fiduciary Funds
December 31, 2018

| | Pension | | | Total Fiduciary Funds |
|--|---------------------|---------------------|----------------------|-----------------------------|
| | Management | Non-Management | Police | |
| Assets | | | | |
| Cash and equivalents | \$ 49,671 | \$ 56,965 | \$ 81,766 | \$ 188,402 |
| Investments: | | | | |
| Fixed income | 882,067 | 954,584 | 3,141,201 | 4,977,852 |
| Common stocks | 1,770,889 | 1,854,575 | 6,595,730 | 10,221,194 |
| Mutual funds | 257,019 | 241,850 | 782,252 | 1,281,121 |
| Accrued income | 8,228 | 8,683 | 27,543 | 44,454 |
| Total assets | 2,967,874 | 3,116,657 | 10,628,492 | 16,713,023 |
| Deferred Outflows of Resources | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Total assets and deferred outflows of resources | <u>\$ 2,967,874</u> | <u>\$ 3,116,657</u> | <u>\$ 10,628,492</u> | <u>\$ 16,713,023</u> |
| Liabilities | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| Deferred Inflows of Resources | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Net Position | | | | |
| Held in trust for employee pension benefits | <u>2,967,874</u> | <u>3,116,657</u> | <u>10,628,492</u> | <u>16,713,023</u> |
| Total net position | <u>2,967,874</u> | <u>3,116,657</u> | <u>10,628,492</u> | <u>16,713,023</u> |
| Total liabilities, deferred inflows of resources and net position | <u>\$ 2,967,874</u> | <u>\$ 3,116,657</u> | <u>\$ 10,628,492</u> | <u>\$ 16,713,023</u> |

See accompanying notes to the basic financial statements.

Borough of Indiana
Statement of Changes in Fiduciary Net Position – Modified Cash Basis
Fiduciary Funds
For the Year Ended December 31, 2018

| | Pension | | | Total Fiduciary Funds |
|----------------------------------|---------------------|---------------------|----------------------|-----------------------------|
| | Management | Non-Management | Police | |
| Additions | | | | |
| Contributions: | | | | |
| Commonwealth | \$ 43,972 | \$ 57,067 | \$ 193,599 | \$ 294,638 |
| Municipal | 0 | 0 | 0 | 0 |
| Employee deferral | 52,602 | 38,228 | 96,466 | 187,296 |
| Interest and dividends | <u>69,033</u> | <u>69,843</u> | <u>236,552</u> | <u>375,428</u> |
| Total additions | <u>165,607</u> | <u>165,138</u> | <u>526,617</u> | <u>857,362</u> |
| Deductions | | | | |
| Benefits | 152,353 | 98,804 | 528,660 | 779,817 |
| Administrative expense | 25,656 | 26,347 | 69,440 | 121,443 |
| Investment loss | <u>134,064</u> | <u>139,886</u> | <u>461,640</u> | <u>735,590</u> |
| Total deductions | <u>312,073</u> | <u>265,037</u> | <u>1,059,740</u> | <u>1,636,850</u> |
| Change in net position | (146,466) | (99,899) | (533,123) | (779,488) |
| Net position - beginning of year | <u>3,114,340</u> | <u>3,216,556</u> | <u>11,161,615</u> | <u>17,492,511</u> |
| Net position - end of year | <u>\$ 2,967,874</u> | <u>\$ 3,116,657</u> | <u>\$ 10,628,492</u> | <u>\$ 16,713,023</u> |

See accompanying notes to the basic financial statements.

Borough of Indiana
Notes to Financial Statements
December 31, 2018

Note 1 – Description of Borough and Reporting Entity

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

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

Note 2 – Summary of Significant Accounting Policies

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

A. Basis of Presentation

Government-wide Financial Statements

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

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

Borough of Indiana
Notes to Financial Statements
December 31, 2018

Fund Financial Statements

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

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

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

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

Special Revenue Funds

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

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

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

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

Street Light Fund: Accounts for delinquent real estate taxes collected and restricted for street light operation and maintenance. Tax was not levied for street light purposes in 2018.

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

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

Borough of Indiana
Notes to Financial Statements
December 31, 2018

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

Capital Projects Funds

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

- Capital Projects Fund
- Capital Projects Fund – Police

Proprietary Funds

Enterprise Funds

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

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

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

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

Fiduciary Funds

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

Pension Trust Funds

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

Management Plan: Accounts for the activity of the defined benefit plan for management-level employees.

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

Borough of Indiana
Notes to Financial Statements
December 31, 2018

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

B. Measurement Focus and Basis of Accounting

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

Measurement Focus

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

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

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

Basis of Accounting

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

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

Borough of Indiana
Notes to Financial Statements
December 31, 2018

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

C. Financial Position

Cash and Cash Equivalents

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

Investment Valuation

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

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

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

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

Capital Assets

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

Long-Term Debt

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

Borough of Indiana
Notes to Financial Statements
December 31, 2018

Net Position/Fund Balance Classifications

Government-wide Statements

Net position can be displayed in three components:

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

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

The government-wide statement of net position reports \$570,265 of restricted net position. Enabling legislation restricts \$378,569 for highway maintenance; \$48,270 for fire protection; \$6,777 for the library contribution; \$1,712 for street light operation and maintenance; \$7,391 for planting and maintenance of shade trees; \$2 for economic development of the Business Improvement District; and \$8,014 for capital projects. Further, state funding agencies restrict \$119,530 for revolving loans between the Borough and community businesses for purposes of stimulating economic growth.

Fund Financial Statements

Governmental Funds:

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

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

Borough of Indiana
Notes to Financial Statements
December 31, 2018

- Assigned Fund Balance – amounts the Borough intends to use for a specific purpose. Intent can be expressed by the Borough Council or by an official or body to which the Borough Council delegates the authority.
- Unassigned Fund Balance – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

As of December 31, 2018, fund balance components, other than unassigned, consist of the following:

| | Restricted | |
|---------------------------|------------|------------|
| Special Revenue Funds: | | |
| Liquid Fuels Fund | \$ 378,569 | |
| Fire Protection Fund | 48,270 | |
| Library Fund | 6,777 | |
| Street Light Fund | 1,712 | |
| Shade Tree Fund | 7,391 | |
| Bidd Loan Pool Fund | 119,530 | |
| 5-year BID Program Fund | 2 | |
| Total Special Revenue | | \$ 562,251 |
| Capital Projects Funds: | | |
| Capital Projects Fund | 351 | |
| Capital Projects - Police | 7,663 | |
| Total Capital Projects | | 8,014 |
| Total | | \$ 570,265 |

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

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

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

Proprietary and Fiduciary Funds:

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

D. Deferred Outflows/Inflows of Resources

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

Borough of Indiana
Notes to Financial Statements
December 31, 2018

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

E. Revenues, Expenditures and Expenses

Program Revenues

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

| | |
|-----------------------|---|
| General Government | Licenses (including alcohol beverage tax) and permits; rents; state operating grants. |
| Public Safety | Fines and forfeits; building permits; charges for police service; operating and capital grants and contributions for the fire company and police. |
| Public Works-Streets | State operating grants; and internal charges for services. |
| Public Works-Other | Public utility realty tax (state funds). |
| Community Development | Capital contributions. |
| Benefits | Pension state aid. |

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

Operating Revenues and Expenses

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

F. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. The Borough reported \$7,950 in proceeds from fixed asset disposition as a special item for the year ended December 31, 2018.

Borough of Indiana
Notes to Financial Statements
December 31, 2018

G. Internal and Interfund Balances and Activities

Fund Financial Statements

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

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

Government-Wide Financial Statements

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

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

H. Use of Estimates

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

I. Budgets and Budgetary Accounting

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

Borough of Indiana
Notes to Financial Statements
December 31, 2018

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

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

Basis of Accounting

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

J. Pension Plan

Substantially all full-time employees of the Borough participate in one of three single-employer defined benefit pension plans. Separate plans are maintained by the Borough for management, non-uniformed and uniformed employees. The Borough's modified cash basis of accounting does not report a net pension asset or liability or deferred outflows or inflows of resources related to pensions. The Borough made all required contributions for the year ended December 31, 2018, and has recognized them as expenditures in the general fund in accordance with the modified cash basis of accounting.

Note 3 – Cash and Cash Equivalents and Investments

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

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

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

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

**Borough of Indiana
Notes to Financial Statements
December 31, 2018**

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

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

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

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

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

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

Cash

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Borough's deposits may not be returned to it. The Borough does not have a policy for custodial credit risk however, as previously noted, the Borough's deposits in excess of the FDIC limit are collateralized in accordance with the Pennsylvania Security for Public Deposit Act. As of December 31, 2018, \$3,415,359 of the Borough's bank balance of \$4,165,359 was exposed to custodial risk as:

| | | |
|--|----|--------------------|
| Uninsured and uncollateralized | \$ | 0 |
| Collateralized with securities held by the pledging financial institution | | 0 |
| Uninsured and collateral held by the pledging bank's trust department not in the Borough's name | | <u>3,415,359</u> |
| Total | | <u>\$3,415,359</u> |

Borough of Indiana
Notes to Financial Statements
December 31, 2018

Reconciliation to Financial Statements

| | |
|---|---------------------|
| Uninsured amount above | \$ 3,415,359 |
| Plus: Insured amount | 750,000 |
| Plus: Deposits in transit | 3,162 |
| Less: Outstanding checks | <u>(149,277)</u> |
| Carrying amount – bank balances | 4,019,244 |
| Less: Certificates of deposit considered investments | (1,326,080) |
| Plus: Pension in money market funds considered cash equivalents | 188,402 |
| Cash on hand (utilities) | <u>32,459</u> |
| Total cash per financial statements | <u>\$ 2,914,025</u> |

Summary of Total Cash per Financial Statements

| | |
|-------------------------------------|---------------------|
| Governmental Activities | \$ 657,766 |
| Business-type Activities | 2,067,857 |
| Fiduciary Funds | <u>188,402</u> |
| Total cash per financial statements | <u>\$ 2,914,025</u> |

Investments

As of December 31, 2018, the Borough had the following investments and maturities:

| <u>Investment</u> | <u>Maturity</u> | <u>Value</u> |
|-------------------------|-----------------|---------------------|
| Certificates of Deposit | 15-60 months | \$ 1,326,080 |
| Pension investments | N/A | <u>16,668,569</u> |
| Total investments | | <u>\$17,994,649</u> |

Pension Investments

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

Interest Rate Risk

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

Credit Risk

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

Concentration of Credit Risk

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

Borough of Indiana
Notes to Financial Statements
December 31, 2018

Custodial Credit Risk

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

Reconciliation to Financial Statements

| | |
|--|---------------------|
| Total investments above | \$17,994,649 |
| Less: Pension in money market funds considered cash equivalents | <u>(188,402)</u> |
| Total investments per financial statements | <u>\$17,806,247</u> |

Summary of Total Investments per Financial Statements

| | |
|--------------------------|---------------------|
| Business-type Activities | \$ 1,326,080 |
| Fiduciary Funds | <u>16,480,167</u> |
| | <u>\$17,806,247</u> |

Note 4 – Property Taxes

The Borough collects property taxes based upon property valuations provided by the county assessor’s office. The taxes are collected by the local elected tax collector. For 2018, the Borough levied property taxes of 5.262 mills per assessed valuation for general purposes, 0.189 mill per assessed valuation for fire protection, 0.136 mill per assessed valuation for the library, and 0.035 mill per assessed valuation for shade trees. The total tax levy of 5.622 mills per assessed valuation (\$546,184,500) would generate \$3,070,649 of property tax revenues.

The following is the tax calendar for the year ended December 31, 2018:

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

Note 5 – Long-Term Debt

Although the Borough’s modified cash basis does not report long-term debt on either the government-wide or the fund financial statements, the Borough has chosen to disclose the following summary of long-term debt obligations for the year ended December 31, 2018:

| | |
|-----------------------|----------------------|
| | <u>Notes Payable</u> |
| Beginning of year | \$ 7,370,662 |
| *Debt issuance | 3,118,468 |
| *Principal retirement | <u>(2,536,315)</u> |
| End of year | 7,952,815 |
| Less: current portion | <u>(1,122,206)</u> |
| Long-term debt | <u>\$ 6,830,609</u> |

*Includes the 2018 tax anticipation note of \$500,000.

Borough of Indiana
Notes to Financial Statements
December 31, 2018

Maturities of long-term debt are as follows:

| Year Ended June 30, | Principal | Interest | Total |
|------------------------|---------------------|-------------------|---------------------|
| 2019 | \$ 1,122,206 | \$ 246,058 | \$ 1,368,264 |
| 2020 | 1,160,064 | 208,200 | 1,368,264 |
| 2021 | 2,918,316 | 168,416 | 3,086,732 |
| 2022 | 1,227,978 | 127,035 | 1,355,013 |
| 2023 | 846,657 | 85,783 | 932,440 |
| 2024-2028 | 677,594 | 79,329 | 756,923 |
| | <u>\$ 7,952,815</u> | <u>\$ 914,821</u> | <u>\$ 8,867,636</u> |

General Fund Debt

S&T Bank General Obligation Note, Series of 2015

The Series of 2015 General Obligation Note was issued on August 31, 2015 in the maximum par amount of \$3,250,000 for funding of Segment C of the Indiana Economic Development Project. The note is payable to S&T Bank through monthly interest payments during the drawdown and repayment period at 1.79%, reset to 1.75% on August 31, 2017. \$900,000 was drawn down on this note in 2018. The entire outstanding principal balance, together with all accrued and unpaid interest thereon was due and payable to S&T Bank on August 31, 2018 (the "Maturity Date"). The outstanding balance of \$900,000 and accrued interest of \$1,765 was repaid through the use of funds from the S&T Bank General Obligation Note, Series of 2018. The outstanding balance at December 31, 2018 was \$0.

S&T Bank General Obligation Note, Series of 2018

The Series of 2018 General Obligation Note was issued on August 29, 2018 in the maximum par amount of \$2,778,060 to retire the existing debt used for the Indiana Economic Development Project and provide additional funding for the project. The note is payable to S&T Bank through monthly interest payments during the drawdown and repayment period at 3.84%. The interest rate will be reset on August 29, 2020 to the tax-free variable rate of seventy-nine percent of the London Interbank Offered Rate of interest plus 2.0%. \$1,718,468 was drawn on this note in 2018, which included retirement of the existing debt and accrued interest totaling \$901,765. The entire outstanding principal balance, together with all accrued and unpaid interest thereon, will be due and payable to S&T Bank on August 29, 2021 (the "Maturity Date"). The outstanding balance at December 31, 2018 was \$1,718,468.

Community First National Bank Police Car

The Borough entered into a three year financing agreement with Community First National Bank on June 1, 2016 for the purchase of a police vehicle and equipment in the maximum amount of \$39,397 at an interest rate of 4.39%. The balance outstanding at December 31, 2018 was \$0.

Borough of Indiana
Notes to Financial Statements
December 31, 2018

Parking Fund Debt

First Commonwealth General Obligation Note, Series of 2017

A general obligation note was issued in January 2017 in the amount of \$937,750 for the purpose of refinancing an existing loan, reimbursement to the general fund for parking expenditures, and the upgrade of the payment system at the parking garage. The note is payable to First Commonwealth Bank in monthly installments of \$12,271, including interest at a rate of 2.68% through January 2024. The balance outstanding at December 31, 2018 was \$695,241.

First Commonwealth General Obligation Note, Series of 2008

A general obligation note was issued in August 2008 in the amount of \$2,500,000 for parking garage renovations. This note is payable to First Commonwealth Bank in monthly installments of \$16,417, including interest at a rate of 4.87% through August 2028. The outstanding balance at December 31, 2018 was \$1,247,145.

Sewer Fund Debt

First Commonwealth General Obligation Note, Series of 2001

A general obligation note was issued on June 29, 2001 in the amount of \$8,059,773 for sewer project construction. This note is payable to First Commonwealth Bank in monthly installments of \$52,240, including interest at various rates (4.785% at December 31, 2018) through June, 2023. The outstanding balance at December 31, 2018 was \$2,532,858.

PENNVEST General Obligation Note

A general obligation note was issued in April 2001 in the amount of \$8,059,773 for sewer project construction. The note is payable to PENNVEST in monthly installments of approximately \$38,073 (including interest at 1.00%) for the first 53 months and \$39,057 (including interest at 1.349%) for the remaining 180 months through March 2023. The outstanding balance at December 31, 2018 was \$1,721,746.

JCB Finance Wheeled Loader

The Borough entered into a three year lease purchase agreement with JCB Finance in December 2017 for the purchase of a 2017 JCB model wheeled loader in the maximum amount of \$62,337. The terms for repayment are as follows: interest at 3.10% for a 48-month term with annual payments commencing December 2017 and maturing December 2021. The balance outstanding at December 31, 2018 was \$37,357.

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

Borough of Indiana
Notes to Financial Statements
December 31, 2018

Note 6 – Interfund Transactions

The following is a summary of interfund receivables and payables at December 31, 2018:

| | <u>Receivables</u> | <u>Payables</u> |
|--|--------------------|--------------------|
| General Fund | \$1,997,283 | \$ 217,764 |
| Special Revenue Fund – Library | 3,826 | 0 |
| Special Revenue Fund – Fire Protection | 5,284 | 0 |
| Special Revenue Fund – Street Light | 154 | 0 |
| Proprietary Fund – Sewer | 208,500 | 67,591 |
| Proprietary Fund – Parking | <u>0</u> | <u>1,929,692</u> |
| | <u>\$2,215,047</u> | <u>\$2,215,047</u> |

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

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

Due to General Fund cash flow deficiencies, the Borough passed an Ordinance on November 21, 2017 authorizing a loan from the Sewer Maintenance Fund in the maximum amount of \$500,000 at an annual interest rate of 4.25% for a two-year term. The Borough transferred \$200,000 in 2017. Accrued interest in the amount of \$8,500 was added to the loan balance in 2018. Further, \$67,591 due from Sewer to General Fund represents reimbursement of current year wages and benefits and a Sewer Fund water bill paid by General Fund.

Interfund transfers during the year ended December 31, 2018 were as follows:

| | <u>Transfer In</u> | <u>Transfer Out</u> |
|-----------------------|--------------------|---------------------|
| General Fund | \$ 0 | \$49,496 |
| Capital Projects Fund | <u>49,496</u> | <u>0</u> |
| | <u>\$49,496</u> | <u>\$49,496</u> |

General Fund transferred \$49,496 to the Capital Projects Fund to assist in subsidizing capital expenditures and maintain adequate cash balance.

Note 7 – Operating Leases

The Borough entered into a 60-month operating lease agreement with Pitney Bowes in August 2018 for the lease of a postage machine. The lease payments are \$208 per month, billed in quarterly installments of \$624. The Borough entered into a 60-month operating lease agreement with Ford Business Machines, Inc. in September 2015 for the lease of a wide plotter/scanner. The lease payments are \$160 per month. Future minimum lease payments are as follows:

| <u>Year</u> | <u>Payment</u> |
|-------------|-----------------|
| 2019 | \$ 4,413 |
| 2020 | 3,934 |
| 2021 | 2,495 |
| 2022 | 2,495 |
| 2023 | <u>1,663</u> |
| | <u>\$15,000</u> |

Borough of Indiana
Notes to Financial Statements
December 31, 2018

Note 8 – Pension Plans

Plan Description

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

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

Funding Policy

The contribution policy is set by ordinance and requires contributions of 5% of compensation by active employees. The contribution required by the employer is based on an actuarial valuation and is expressed as a percentage of annual compensation. Indiana Borough's contributions to the aforementioned plans, including state aid, for the years ended December 31, 2018, 2017 and 2016 totaled \$294,638, \$444,702, and \$436,303, respectively.

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

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

Significant actuarial assumptions for the respective plans are as follows:

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

Borough of Indiana
Notes to Financial Statements
December 31, 2018

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

Note 9 – Liquid Fuels Tax – Liquid Fuels Fund

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

Note 10 – Risk Management

The Borough is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Borough has purchased various insurance policies to safeguard its assets from risk of loss. Insurance coverage appears to be consistent with previous years. During the year ended December 31, 2018 and the two previous fiscal years, no settlements exceeded insurance coverage.

Note 11 – Contingent Liabilities

Grant Program Involvement

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

Litigation

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

Borough of Indiana
Combining Balance Sheet – Modified Cash Basis
Major Fund: Special Revenue Funds
December 31, 2018

| | Liquid Fuels Fund | Fire Protection Fund | Library Fund | Street Light Fund | Shade Tree Fund | Bidd Loan Pool | 5-Year BID Program | Total |
|-------------------------------------|-------------------------|----------------------------|-----------------|-------------------------|-----------------------|----------------------|--------------------------|-------------------|
| Assets | | | | | | | | |
| Cash and equivalents | \$ 378,569 | \$ 42,986 | \$ 2,951 | \$ 1,558 | \$ 7,391 | \$ 119,530 | \$ 2 | \$ 552,987 |
| Interfund receivables | <u>0</u> | <u>5,284</u> | <u>3,826</u> | <u>154</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>9,264</u> |
| Total assets | <u>\$ 378,569</u> | <u>\$ 48,270</u> | <u>\$ 6,777</u> | <u>\$ 1,712</u> | <u>\$ 7,391</u> | <u>\$ 119,530</u> | <u>\$ 2</u> | <u>\$ 562,251</u> |
| Liabilities and Fund Balance | | | | | | | | |
| Liabilities | | | | | | | | |
| Total liabilities | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| Fund Balance | | | | | | | | |
| Restricted | <u>378,569</u> | <u>48,270</u> | <u>6,777</u> | <u>1,712</u> | <u>7,391</u> | <u>119,530</u> | <u>2</u> | <u>562,251</u> |
| Total fund balance | <u>378,569</u> | <u>48,270</u> | <u>6,777</u> | <u>1,712</u> | <u>7,391</u> | <u>119,530</u> | <u>2</u> | <u>562,251</u> |
| Total liabilities and fund balance | <u>\$ 378,569</u> | <u>\$ 48,270</u> | <u>\$ 6,777</u> | <u>\$ 1,712</u> | <u>\$ 7,391</u> | <u>\$ 119,530</u> | <u>\$ 2</u> | <u>\$ 562,251</u> |

See accompanying notes to the basic financial statements.

Borough of Indiana
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances – Modified Cash Basis
Major Fund: Special Revenue Funds
For the Year Ended December 31, 2018

| | Liquid Fuels Fund | Fire Protection Fund | Library Fund | Street Light Fund | Shade Tree Fund | Bidd Loan Pool | 5-Year BID Program | Total |
|--|-------------------------|----------------------------|-----------------|-------------------------|-----------------------|----------------------|--------------------------|-------------------|
| Revenues | | | | | | | | |
| Taxes | \$ 0 | \$ 103,807 | \$ 74,551 | \$ 154 | \$ 17,852 | \$ 0 | \$ 0 | \$ 196,364 |
| Interest earnings | 2,035 | 368 | 105 | 12 | 67 | 671 | 0 | 3,258 |
| Intergovernmental | 386,057 | 0 | 0 | 0 | 0 | 0 | 0 | 386,057 |
| Assessments | 0 | 0 | 0 | 0 | 0 | 0 | 12,317 | 12,317 |
| Total revenues | <u>388,092</u> | <u>104,175</u> | <u>74,656</u> | <u>166</u> | <u>17,919</u> | <u>671</u> | <u>12,317</u> | <u>597,996</u> |
| Expenditures | | | | | | | | |
| Public safety | 0 | 80,820 | 0 | 0 | 0 | 0 | 0 | 80,820 |
| Public works - highways and streets | 250,974 | 0 | 0 | 0 | 0 | 0 | 0 | 250,974 |
| Culture and recreation | 0 | 0 | 70,834 | 0 | 15,625 | 0 | 0 | 86,459 |
| Community development | 0 | 0 | 0 | 0 | 0 | 0 | 12,315 | 12,315 |
| Total expenditures | <u>250,974</u> | <u>80,820</u> | <u>70,834</u> | <u>0</u> | <u>15,625</u> | <u>0</u> | <u>12,315</u> | <u>430,568</u> |
| Excess (deficiency) of revenues over expenditures | <u>137,118</u> | <u>23,355</u> | <u>3,822</u> | <u>166</u> | <u>2,294</u> | <u>671</u> | <u>2</u> | <u>167,428</u> |
| Other Financing Sources (Uses) | | | | | | | | |
| Proceeds from the disposition of assets | 7,950 | 0 | 0 | 0 | 0 | 0 | 0 | 7,950 |
| Refund of prior year expenditures | <u>69,225</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>69,225</u> |
| Total other financing sources (uses) | <u>77,175</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>77,175</u> |
| Net change in fund balance | 214,293 | 23,355 | 3,822 | 166 | 2,294 | 671 | 2 | 244,603 |
| Fund balance - beginning of year | <u>164,276</u> | <u>24,915</u> | <u>2,955</u> | <u>1,546</u> | <u>5,097</u> | <u>118,859</u> | <u>0</u> | <u>317,648</u> |
| Fund balance - end of year | <u>\$ 378,569</u> | <u>\$ 48,270</u> | <u>\$ 6,777</u> | <u>\$ 1,712</u> | <u>\$ 7,391</u> | <u>\$ 119,530</u> | <u>\$ 2</u> | <u>\$ 562,251</u> |

See accompanying notes to the basic financial statements.

Borough of Indiana
Combining Balance Sheet – Modified Cash Basis
Non-Major Fund: Capital Projects Funds
December 31, 2018

| | Capital Projects | Capital Projects Police | Total Capital Projects Funds |
|-------------------------------------|---------------------|-------------------------------|---------------------------------------|
| Assets | | | |
| Cash | \$ 351 | \$ 7,663 | \$ 8,014 |
| Total assets | \$ 351 | \$ 7,663 | \$ 8,014 |
| Liabilities and Fund Balance | | | |
| Liabilities | | | |
| Total liabilities | \$ 0 | \$ 0 | \$ 0 |
| Fund Balance | | | |
| Restricted | 351 | 7,663 | 8,014 |
| Total fund balance | 351 | 7,663 | 8,014 |
| Total liabilities and fund balance | \$ 351 | \$ 7,663 | \$ 8,014 |

See accompanying notes to the basic financial statements.

Borough of Indiana
Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances – Modified Cash Basis
Non-Major Fund: Capital Projects Funds
For the Year Ended December 31, 2018

| | Capital Projects | Capital Projects Police | Total Capital Projects Funds |
|--|---------------------|-------------------------------|---------------------------------------|
| Revenues | | | |
| Interest | \$ 0 | \$ 40 | \$ 40 |
| Private sector funding | 0 | 10,780 | 10,780 |
| Total revenues | 0 | 10,820 | 10,820 |
| Expenditures | | | |
| Public safety | 35,808 | 4,292 | 40,100 |
| Debt service: | | | |
| Principal | 13,124 | 0 | 13,124 |
| Interest | 576 | 0 | 576 |
| Total expenditures | 49,508 | 4,292 | 53,800 |
| Excess (deficiency) of revenues over expenditures | (49,508) | 6,528 | (42,980) |
| Other Financing Sources (Uses) | | | |
| Operating transfers | 49,496 | 0 | 49,496 |
| Total other financing sources (uses) | 49,496 | 0 | 49,496 |
| Net change in fund balance | (12) | 6,528 | 6,516 |
| Fund balance - beginning of year | 363 | 1,135 | 1,498 |
| Fund balance - end of year | \$ 351 | \$ 7,663 | \$ 8,014 |

See accompanying notes to the basic financial statements.

Borough of Indiana
Combining Statement of Net Position – Modified Cash Basis
Proprietary Funds
December 31, 2018

| | Sewer | | | | | Total |
|---|---------------------|-------------------|---------------------|--------------------|-------------------|---------------------|
| | Operating | Maintenance | Combined | Parking | Sanitation | Proprietary |
| Assets | | | | | | |
| Cash and equivalents | \$ 554,430 | \$ 735,274 | \$ 1,289,704 | \$ 142,544 | \$ 635,609 | \$ 2,067,857 |
| Investments | 1,326,080 | 0 | 1,326,080 | 0 | 0 | 1,326,080 |
| Interfund receivables | <u>0</u> | <u>208,500</u> | <u>208,500</u> | <u>0</u> | <u>0</u> | <u>208,500</u> |
| Total assets | 1,880,510 | 943,774 | 2,824,284 | 142,544 | 635,609 | 3,602,437 |
| Deferred Outflows of Resources | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Total assets and deferred outflows of resources | <u>\$ 1,880,510</u> | <u>\$ 943,774</u> | <u>\$ 2,824,284</u> | <u>\$ 142,544</u> | <u>\$ 635,609</u> | <u>\$ 3,602,437</u> |
| Liabilities | | | | | | |
| Interfund payable | \$ 55,474 | \$ 12,117 | \$ 67,591 | \$ 1,929,692 | \$ 0 | \$ 1,997,283 |
| Total liabilities | <u>55,474</u> | <u>12,117</u> | <u>67,591</u> | <u>1,929,692</u> | <u>0</u> | <u>1,997,283</u> |
| Deferred Inflows of Resources | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Net Position | | | | | | |
| Unrestricted | <u>1,825,036</u> | <u>931,657</u> | <u>2,756,693</u> | <u>(1,787,148)</u> | <u>635,609</u> | <u>1,605,154</u> |
| Total net position | <u>1,825,036</u> | <u>931,657</u> | <u>2,756,693</u> | <u>(1,787,148)</u> | <u>635,609</u> | <u>1,605,154</u> |
| Total liabilities, deferred inflows of resources and net position | <u>\$ 1,880,510</u> | <u>\$ 943,774</u> | <u>\$ 2,824,284</u> | <u>\$ 142,544</u> | <u>\$ 635,609</u> | <u>\$ 3,602,437</u> |

See accompanying notes to the basic financial statements.

Borough of Indiana
Combining Statement of Revenues, Expenses and
Changes in Fund Net Position – Modified Cash Basis
Proprietary Funds
For the Year Ended December 31, 2018

| | Sewer | | | Parking | Sanitation | Total Proprietary |
|--|---------------------|-------------------|---------------------|-----------------------|-------------------|----------------------|
| | Operating | Maintenance | Combined | | | |
| Operating Revenues | | | | | | |
| Charges for services: | | | | | | |
| Sewer | \$ 2,760,622 | \$ 890,651 | \$ 3,651,273 | \$ 0 | \$ 0 | \$ 3,651,273 |
| Sanitation | 0 | 0 | 0 | 0 | 798,015 | 798,015 |
| Parking | 0 | 0 | 0 | 835,035 | 0 | 835,035 |
| Total operating revenues | <u>2,760,622</u> | <u>890,651</u> | <u>3,651,273</u> | <u>835,035</u> | <u>798,015</u> | <u>5,284,323</u> |
| Operating Expenses | | | | | | |
| Sewer | 2,091,138 | 700,484 | 2,791,622 | 0 | 0 | 2,791,622 |
| Sanitation | 0 | 0 | 0 | 0 | 704,433 | 704,433 |
| Parking | 0 | 0 | 0 | 420,578 | 0 | 420,578 |
| Total operating expenses | <u>2,091,138</u> | <u>700,484</u> | <u>2,791,622</u> | <u>420,578</u> | <u>704,433</u> | <u>3,916,633</u> |
| Operating income (loss) | <u>669,484</u> | <u>190,167</u> | <u>859,651</u> | <u>414,457</u> | <u>93,582</u> | <u>1,367,690</u> |
| Non-Operating Revenues (Expenses) | | | | | | |
| Investment income | 21,894 | 14,122 | 36,016 | 782 | 4,220 | 41,018 |
| Operating transfers | 9,246 | (9,246) | 0 | 0 | 0 | 0 |
| Capital grant | 0 | 0 | 0 | 0 | 6,217 | 6,217 |
| Debt Service: | | | | | | |
| Principal | (895,507) | 0 | (895,507) | (227,684) | 0 | (1,123,191) |
| Interest | (161,698) | 0 | (161,698) | (84,997) | 0 | (246,695) |
| Total non-operating revenues (expenses) | <u>(1,026,065)</u> | <u>4,876</u> | <u>(1,021,189)</u> | <u>(311,899)</u> | <u>10,437</u> | <u>(1,322,651)</u> |
| Change in net position | (356,581) | 195,043 | (161,538) | 102,558 | 104,019 | 45,039 |
| Total net position - beginning | <u>2,181,617</u> | <u>736,614</u> | <u>2,918,231</u> | <u>(1,889,706)</u> | <u>531,590</u> | <u>1,560,115</u> |
| Total net position - ending | <u>\$ 1,825,036</u> | <u>\$ 931,657</u> | <u>\$ 2,756,693</u> | <u>\$ (1,787,148)</u> | <u>\$ 635,609</u> | <u>\$ 1,605,154</u> |

See accompanying notes to the basic financial statements.

Borough of Indiana
Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Budget to Actual
General Fund
For the Year Ended December 31, 2018

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | Variance |
|--|-------------------------|------------------|---------------------|----------------------------|
| | <u>Original</u> | <u>Final</u> | | Favorable (Unfavorable) |
| Revenues | | | | |
| Taxes | \$ 4,066,507 | \$ 4,066,507 | \$ 3,908,077 | \$ (158,430) |
| Intergovernmental revenues | 465,900 | 465,900 | 463,830 | (2,070) |
| Charges for services | 1,373,321 | 1,373,321 | 1,057,430 | (315,891) |
| Fines and forfeitures | 185,000 | 185,000 | 148,418 | (36,582) |
| Licenses and permits | 129,100 | 129,100 | 146,503 | 17,403 |
| Interest, rents and royalties | 1,150 | 1,150 | 7,218 | 6,068 |
| Proceeds from debt | 500,000 | 500,000 | 3,118,468 | 2,618,468 |
| Miscellaneous | <u>10,000</u> | <u>10,000</u> | <u>3,984</u> | <u>(6,016)</u> |
| Total revenues | <u>6,730,978</u> | <u>6,730,978</u> | <u>8,853,928</u> | <u>2,122,950</u> |
| Expenditures | | | | |
| General government | 678,029 | 678,029 | 676,445 | 1,584 |
| Public safety | 3,319,176 | 3,319,176 | 3,150,308 | 168,868 |
| Public works: | | | | |
| Highways, roads and streets | 921,031 | 921,031 | 846,039 | 74,992 |
| Other public works | 244,000 | 244,000 | 56,165 | 187,835 |
| Culture and recreation | 65,000 | 65,000 | 2,020,775 | (1,955,775) |
| Community development | 38,100 | 38,100 | 0 | 38,100 |
| Debt service principal | 500,000 | 500,000 | 1,400,000 | (900,000) |
| Debt service interest | 10,000 | 10,000 | 39,788 | (29,788) |
| Financing fees | 0 | 0 | 17,286 | (17,286) |
| Operating transfers | 278,163 | 278,163 | 49,496 | 228,667 |
| Benefits | 542,950 | 542,950 | 573,147 | (30,197) |
| Insurance | <u>84,000</u> | <u>84,000</u> | <u>111,375</u> | <u>(27,375)</u> |
| Total expenditures | <u>6,680,449</u> | <u>6,680,449</u> | <u>8,940,824</u> | <u>(2,260,375)</u> |
| Excess (deficiency) of revenues over expenditures | <u>\$ 50,529</u> | <u>\$ 50,529</u> | (86,896) | <u>\$ (137,425)</u> |
| Fund balance - beginning of year | | | <u>1,949,645</u> | |
| Fund balance - end of year | | | <u>\$ 1,862,749</u> | |

See accompanying notes to the basic financial statements.

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

Independent Auditors' Report

Borough Council
Borough of Indiana
80 North 8th Street
Indiana, Pennsylvania 15701

We have audited, in accordance with the modified cash basis of accounting and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Indiana as of and for the year ended December 31, 2018 and the related notes to the financial statements, which collectively comprise the Borough of Indiana's basic financial statements, and have issued our report thereon dated March 28, 2019.

Internal Control Over Financial Reporting

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

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

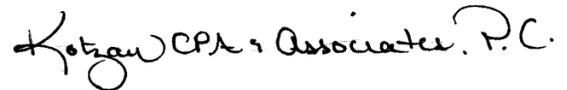
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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



Kotzan CPA & Associates, P.C.
Johnstown, Pennsylvania
March 28, 2019