

County of Venango, Pennsylvania

Financial Statements and Required Supplementary and Supplementary Information

Year Ended December 31, 2012
with Independent Auditor's Report

MaherDuessel
Certified Public Accountants

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COUNTY OF VENANGO, PENNSYLVANIA

YEAR ENDED DECEMBER 31, 2012

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COUNTY OF VENANGO, PENNSYLVANIA

YEAR ENDED DECEMBER 31, 2012

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Independent Auditor's Report

Board of County Commissioners
County of Venango, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Venango, Pennsylvania (County), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the County's 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 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 financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the County, as of December 31, 2012, and the respective changes in financial position, and the budgetary comparison for the General Fund 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 and pension information on pages i through xiv and 34 through 36 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 combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Maher Duessel

Pittsburgh, Pennsylvania
September 25, 2013

Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

The management of the County of Venango (County) is pleased to present to the readers of the County's financial statements this narrative overview and analysis of the financial activities of the County as of and for the year ended December 31, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the financial statements (pages 1 - 9) and the notes to financial statements (pages 10 - 33).

FINANCIAL HIGHLIGHTS

- The assets of the County exceeded its liabilities by \$30.5 million at December 31, 2012.
- As of December 31, 2012, unrestricted net position was \$10.7 million or 31% of total expenses.
- The total fund balance of the General Fund at December 31, 2012 was \$7.5 million or 71% of the total fund balance.
- The County's real property tax rate was 5.565 mills for 2012 and 2011.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Management's Discussion and Analysis is intended to serve as an introduction to the County's financial statements. The County's financial statements consist of three components:

1. Government-wide financial statements,
2. Fund financial statements, and
3. Notes to financial statements.

This report also contains other supplementary information in addition to the financial statements themselves.

A detailed explanation of all three components follows:

1. 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 the private sector. There are two government-wide financial statements. They are:

- The *statement of net position* presents information on all of the County's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether or not 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 in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

MANAGEMENT'S DISCUSSION AND ANALYSIS

The statement of activities distinguishes functions of the County that are principally supported by real estate taxes, charges for services, and intergovernmental revenues as *governmental activities*. The governmental activities of the County include: general government, criminal justice system, public safety, public works, human services, culture and recreation, and conservation and development. Fiduciary activities, whose resources are not available to finance County programs, are excluded from these statements.

The government-wide financial statements can be found on pages 1 and 2 of the financial statements.

2. Fund Financial Statements – The fund financial statements provide more detailed information about the County's most significant funds, not the County as a whole. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other 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 two categories: (1) governmental funds and (2) fiduciary funds.

Governmental Funds – Governmental funds are used to account for essentially the same functions as reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on *near-term inflows and outflows of expendable resources*, as well as on *balances of spendable resources* available at the end of the 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 County's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County reports three major governmental funds. 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 these three *major* funds (General, Capital Projects, and Human Services). Data from the other twenty *non-major* governmental funds are combined into a single, aggregated presentation (other governmental funds). Individual fund data for the other governmental funds is provided as additional information in the form of combining statements elsewhere in this report.

The County adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The governmental funds financial statements can be found on pages 3 to 7 of this report.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefits of parties outside the government. Fiduciary funds are not reflected in the government-wide

MANAGEMENT'S DISCUSSION AND ANALYSIS

financial statements because the resources of those funds are not available to support the County's own programs.

The fiduciary funds financial statements can be found on pages 8 and 9 of this report. They include the Pension Trust Fund and the Agency Funds. The Agency Funds are the fees, fines, and costs, etc. collected by the County Row Officers, held in trust for disbursement to third parties.

3. Notes to Financial Statements – The notes provide additional information that are essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 10 to 33 of this report.

Required Supplementary 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. Required supplementary information can be found on pages 34 to 36 of this report.

The combining and individual fund statements and schedules are presented as supplementary information immediately following the required pension supplementary information on pages 37 to 48 of this report.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

The County presents its financial statements using the reporting model required by Governmental Accounting Standards Board Statement No. 34, "*Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments.*"

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The County's net position at December 31, 2012 and 2011 is presented below:

MANAGEMENT'S DISCUSSION AND ANALYSIS

County of Venango Summary Statements of Net Position December 31, 2012 and 2011

	Governmental Activities	
	2012	2011
Assets		
Current and other assets	\$ 17,683,879	\$ 18,569,071
Capital assets	22,555,659	23,442,115
Lease receivable	3,229,665	3,600,317
Total Assets	43,469,203	45,611,503
Liabilities		
Current and other liabilities	6,576,893	8,022,087
Non-current liabilities	6,441,405	7,119,164
Total Liabilities	13,018,298	15,141,251
Net Position		
Net investment in capital assets	15,436,495	15,197,110
Restricted	4,363,053	3,857,267
Unrestricted	10,651,357	11,415,875
Total Net Position	\$ 30,450,905	\$ 30,470,252

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The County's assets exceeded liabilities by \$30.5 million at December 31, 2012, a decrease from December 31, 2011 of approximately \$20,000.

The following table presents the change in net position for the years ended December 31, 2012 and 2011:

MANAGEMENT'S DISCUSSION AND ANALYSIS

County of Venango Change in Net Position Years Ended December 31, 2012 and 2011

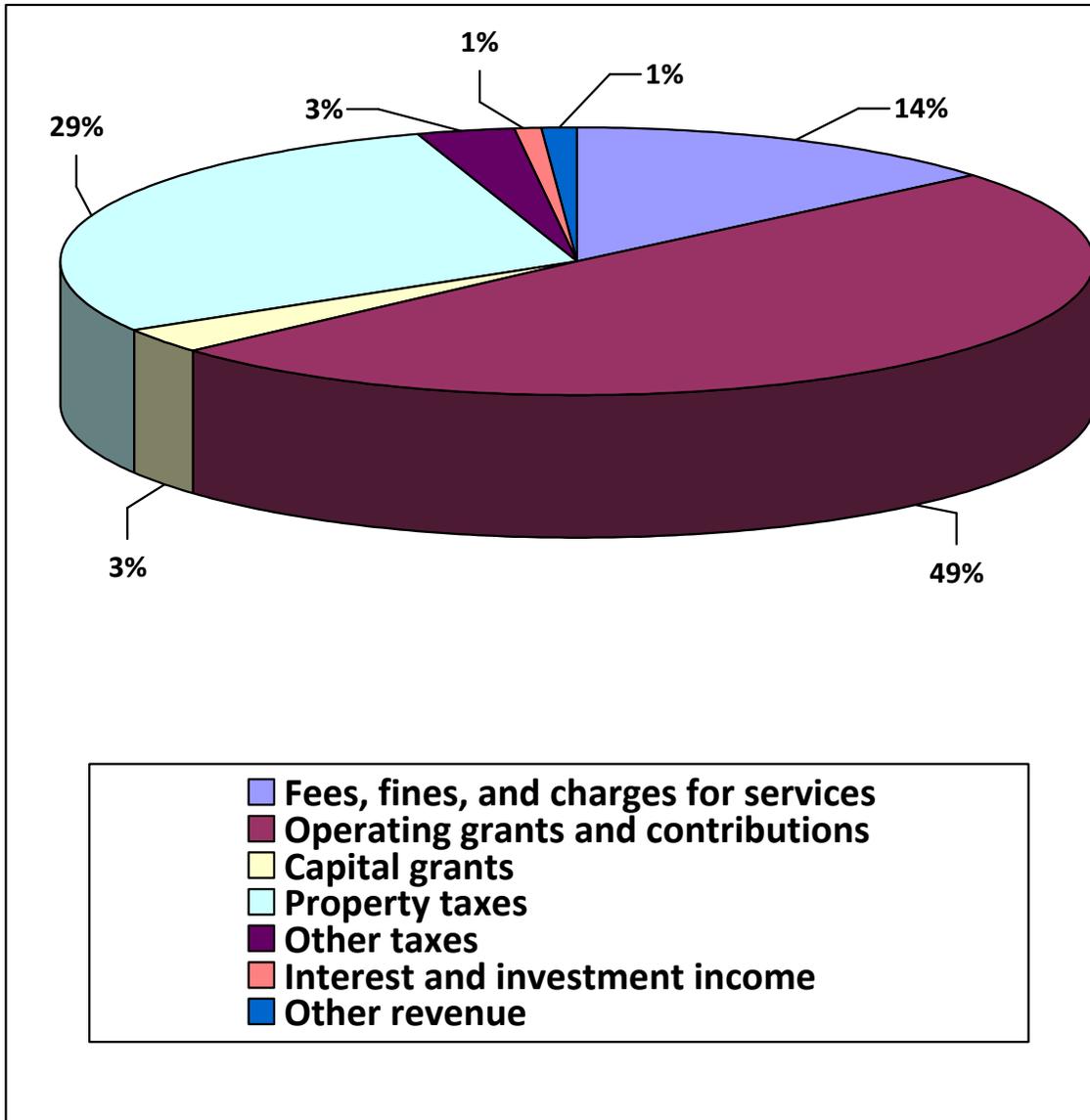
	Governmental Activities	
	2012	2011
Program revenues:		
Fees, fines, and charges for services	\$ 4,691,051	\$ 4,443,484
Operating grants and contributions	17,222,224	18,652,783
Capital grants	1,076,766	2,069,417
General revenues:		
Property taxes	9,876,538	10,132,421
Other taxes	894,058	551,464
Interest and investment income	224,373	221,121
Other	371,708	221,175
Gain on disposal of capital assets	18,828	10,283
 Total revenues	 34,375,546	 36,302,148
Program expenses:		
General government - administration	5,235,053	5,135,043
General government - judicial	3,730,972	3,761,636
Public safety	5,088,833	4,828,036
Public works	2,604,843	3,034,219
Human services	16,660,973	18,243,593
Conservation and development	590,373	647,816
Culture and recreation	283,762	294,094
Interest	200,084	220,558
 Total expenses	 34,394,893	 36,164,995
Change in Net Position	(19,347)	137,153
Net position, beginning	30,470,252	30,333,099
Net position, ending	<u>\$ 30,450,905</u>	<u>\$ 30,470,252</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

SOURCES OF REVENUES

The following chart graphically depicts the government-wide sources of revenues for the fiscal year ended December 31, 2012:

**County of Venango
Government-Wide Sources of Revenues
Total Revenue \$34,375,546**



Total government-wide revenues for 2012 were \$34.4 million, which was approximately \$2 million lower than the 2011 year. Operating grants and contributions account for 49% of the total revenues, amounting to \$17.2 million, compared to \$18.7 million in 2011. The decrease of approximately \$1.5 million is mainly attributable to decrease airport capital grants as well as decreased funding in the human services area. The second largest source of revenue for the

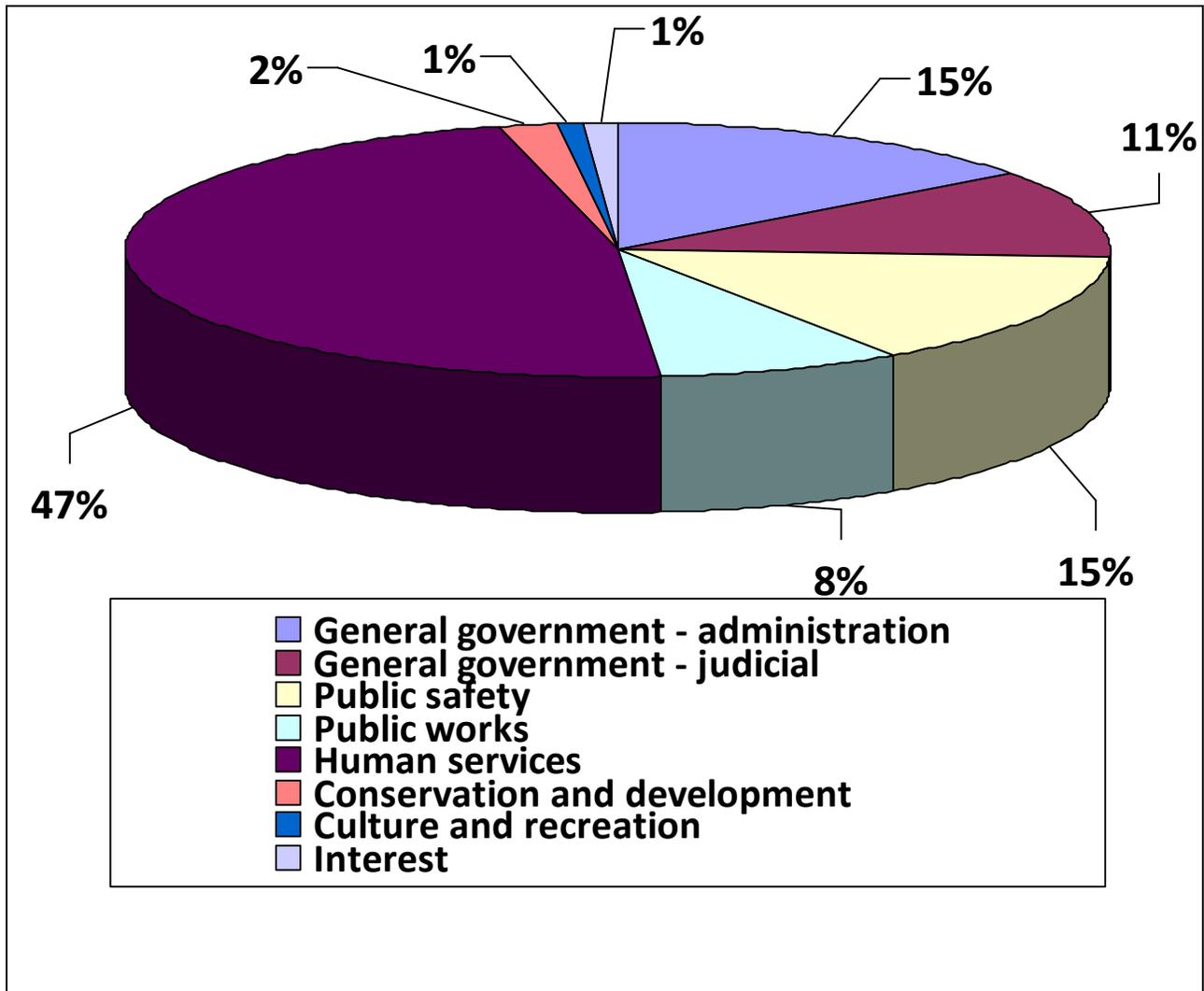
MANAGEMENT'S DISCUSSION AND ANALYSIS

County was property taxes, which made up 29% of the total revenues, amounting to \$9.9 million, compared to \$10.1 million in 2011.

PROGRAM EXPENSES

The following chart graphically depicts the government-wide program expenses for the fiscal year ended December 31, 2012:

**County of Venango
Government-Wide Program Expenses
Total Expenses: \$34,394,893**



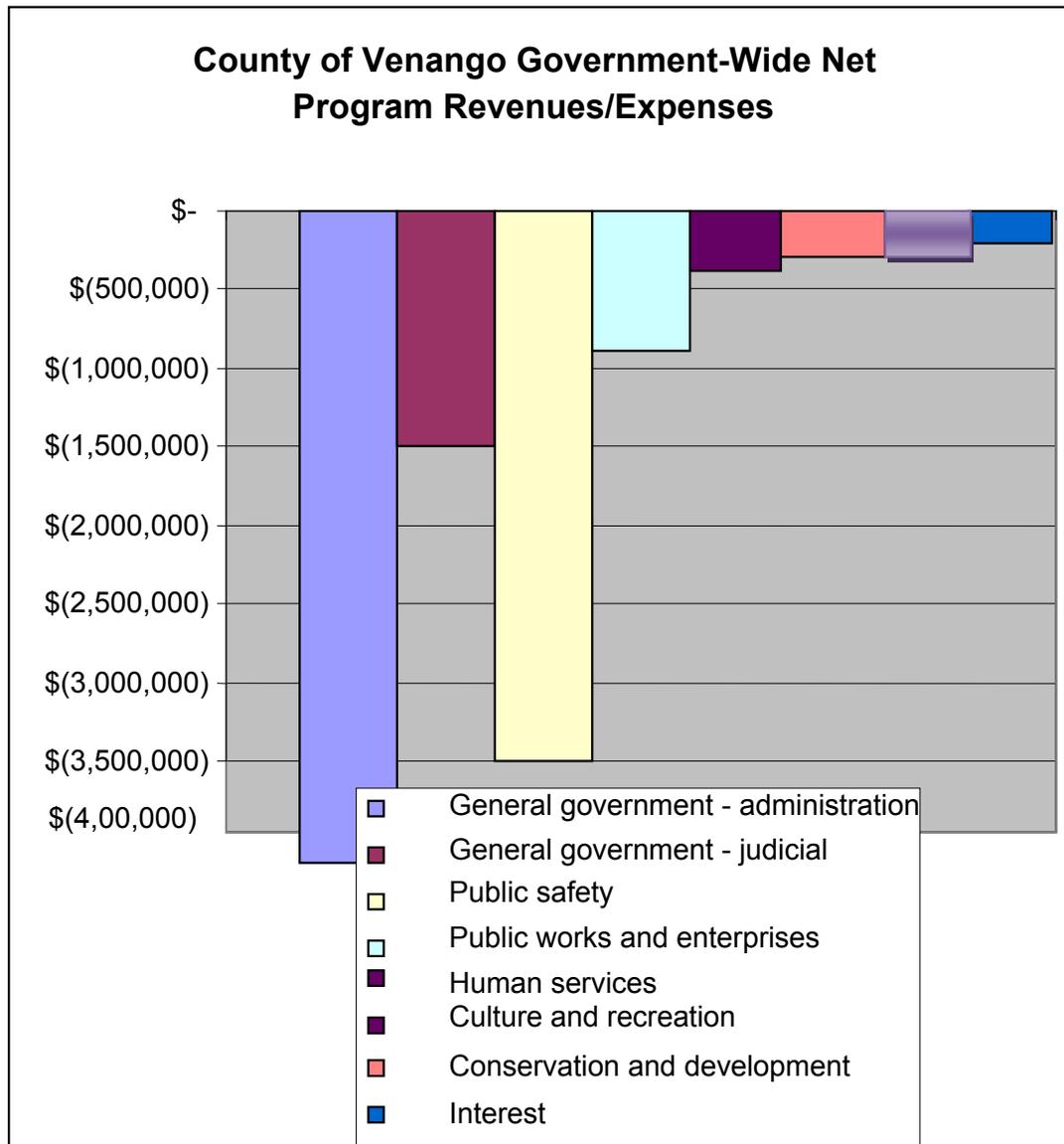
Total government-wide program expenses for 2012 were \$34.4 million, which was approximately \$1.8 million lower than the 2011 year. The largest area of expenses was Human Services, which accounts for 47% of total expenses, amounting to \$16.7 million, compared to \$18.2 million in 2011. The decrease of approximately \$1.5 million is mainly attributable to decreased funding from the state as well as decreased placements in the Children and Youth Services. Human Services provides a vast array of social services programs, including Area

MANAGEMENT'S DISCUSSION AND ANALYSIS

Agency on Aging, Retired Senior Volunteer Program, Children and Youth Services, Substance Abuse, and Mental Health/Developmental Services. Following Human Services totaling \$5.2 million, General Government – Administration represented 15% of all expenses, followed by Public Safety with \$5.1 million in expenses representing 15% of expenses.

NET PROGRAM EXPENSES/REVENUES

Net program expenses/revenues indicate the amount of support required from taxes and other general revenues for the year. The following chart graphically depicts the net program expenses/revenues by function/program for the year ended December 31, 2012.



General government - administration required the most general revenue for support, needing \$4.2 million during 2012.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

The County reports three major governmental funds (General, Capital Projects, and Human Services). The Human Services Fund consists of six programs: Area Agency on Aging; Retired Senior Volunteer Program; Children and Youth Services; Substance Abuse; and Mental Health and Developmental Services. Combining statements are found on pages 37 and 38.

The County also reports other governmental funds which includes twenty non-major funds. The largest of these include: Liquid Fuels, Airport, 911, and Transportation. The combining statements of the other governmental funds can be found on pages 39 through 42.

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

The following table presents the statements of revenues, expenditures, and changes in fund balance for the years ended December 31, 2012 and 2011:

MANAGEMENT'S DISCUSSION AND ANALYSIS

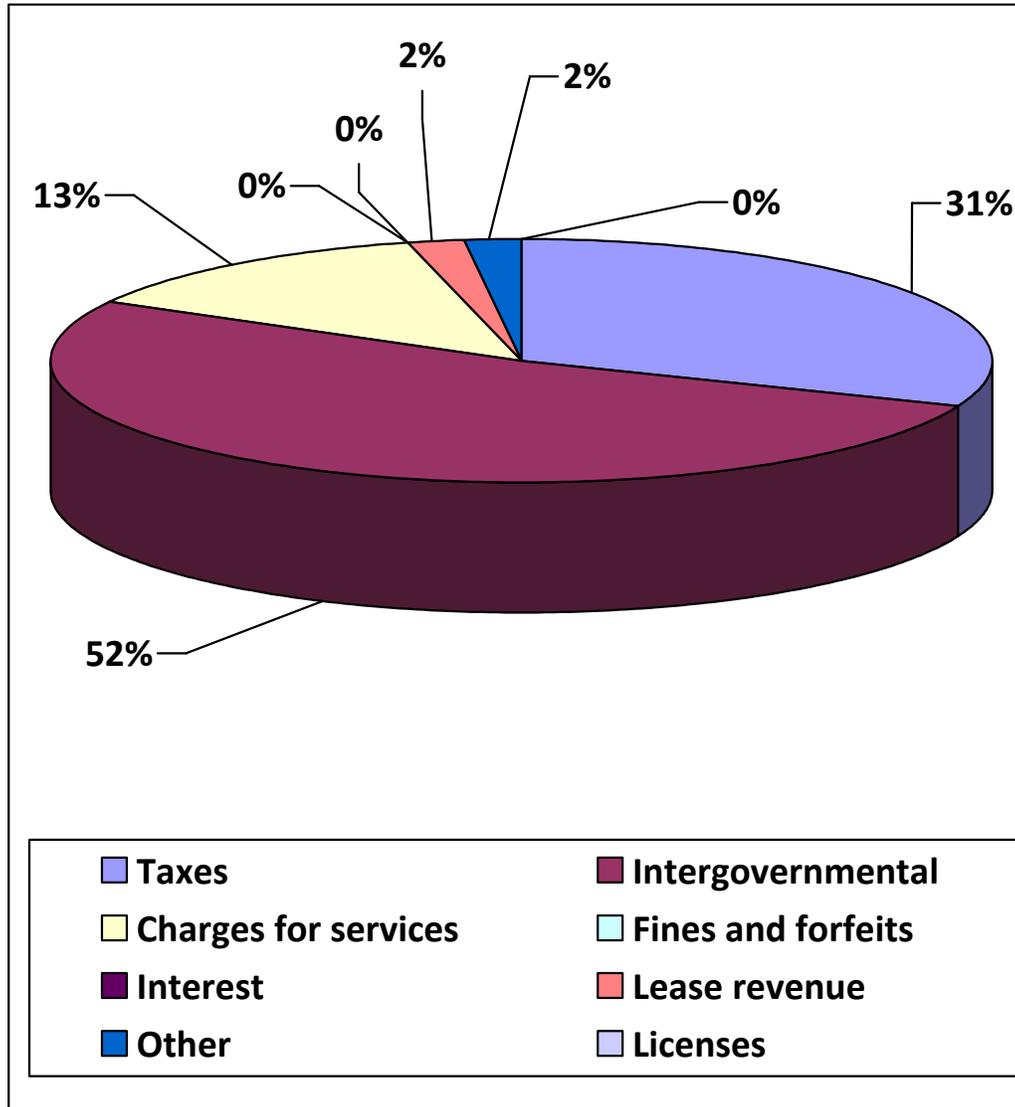
County of Venango Statements of Revenues, Expenditures, and Changes in Fund Balance Years Ended December 31, 2012 and 2011

	Governmental Funds	
	2012	2011
Revenues:		
Taxes	\$ 10,703,630	\$ 10,642,501
Licenses	36,195	35,657
Intergovernmental	18,061,377	20,476,893
Charges for services	4,524,708	4,332,955
Fines and forfeits	152,665	144,373
Interest	55,025	33,732
Lease revenue	540,000	540,000
Other	573,126	430,825
Total revenues	<u>34,646,726</u>	<u>36,636,936</u>
Expenditures:		
General government - administration	5,192,805	4,937,650
General government - judicial	3,759,688	3,751,515
Public safety	4,891,049	4,568,577
Public works	1,946,682	3,366,399
Human services	16,667,952	18,316,934
Conservation and development	590,373	647,816
Culture and recreation	252,364	282,719
Capital outlay	77,472	84,355
Debt service	1,325,925	1,331,889
Total expenditures	<u>34,704,310</u>	<u>37,287,854</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(57,584)</u>	<u>(650,918)</u>
Other Financing Sources (Uses):		
Sale of capital assets	<u>24,187</u>	<u>10,656</u>
Net Change in Fund Balance	<u>(33,397)</u>	<u>(640,262)</u>
Fund balance, beginning	<u>10,546,910</u>	<u>11,187,172</u>
Fund balance, ending	<u>\$ 10,513,513</u>	<u>\$ 10,546,910</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental funds revenues, by source, for the year ended December 31, 2012 were:

**County of Venango, Governmental Fund
Revenues Classified by Source
Total Revenues: \$34,646,726**

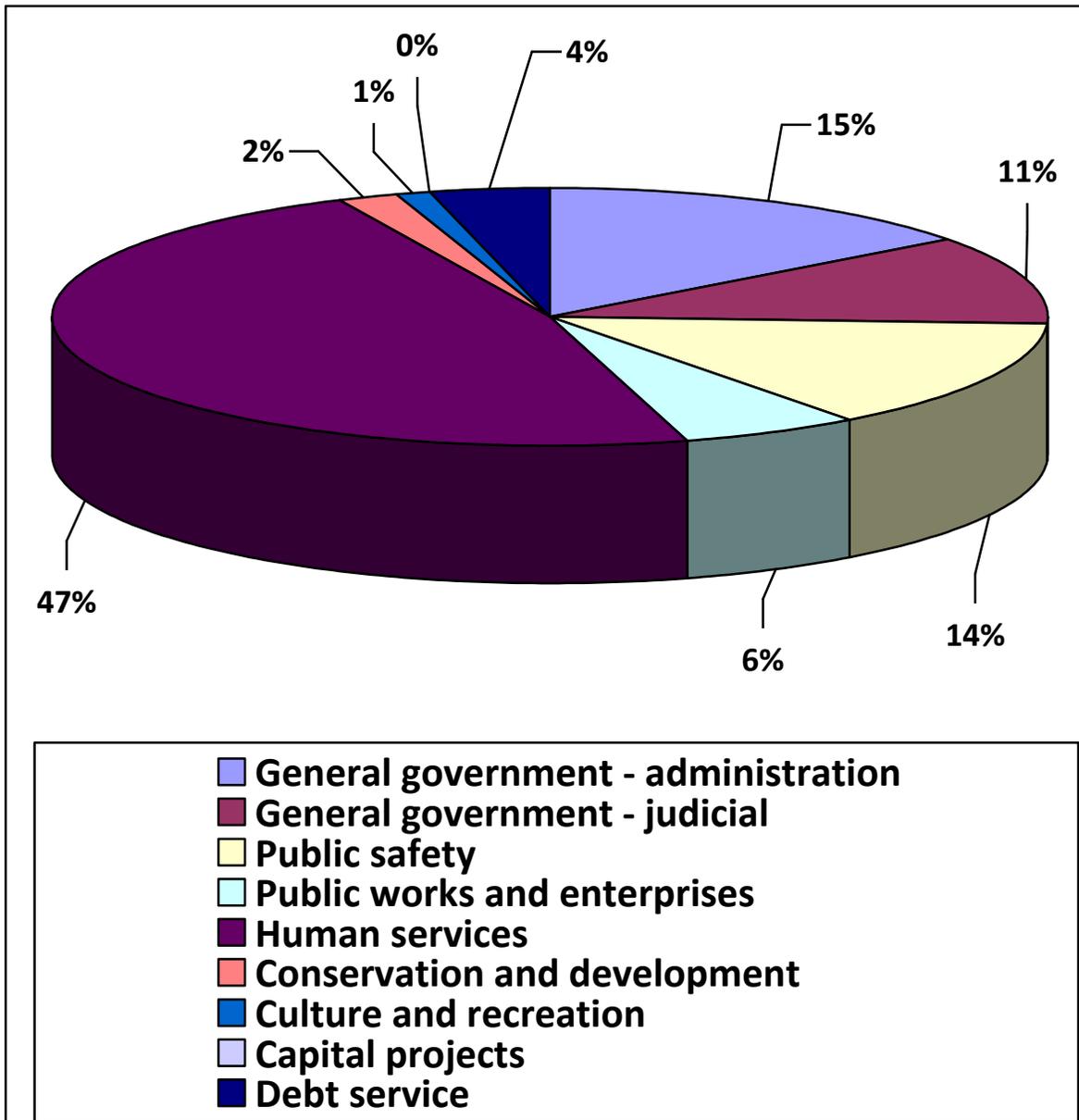


Governmental fund revenues totaled \$34.6 million for the year ended December 31, 2012, of which \$18.1 million (52%) came from Intergovernmental (Federal and State) Revenue. Taxes accounted for \$10.7 million (31%) in revenue. Charges for services reached \$4.5 million (13%) in revenue. Lease revenue and other revenue were each approximately 2% of total revenues. Licenses, fines and forfeits, and interest were less than 1% of total revenues.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental funds expenditures, by function, for the year ended December 31, 2012 were:

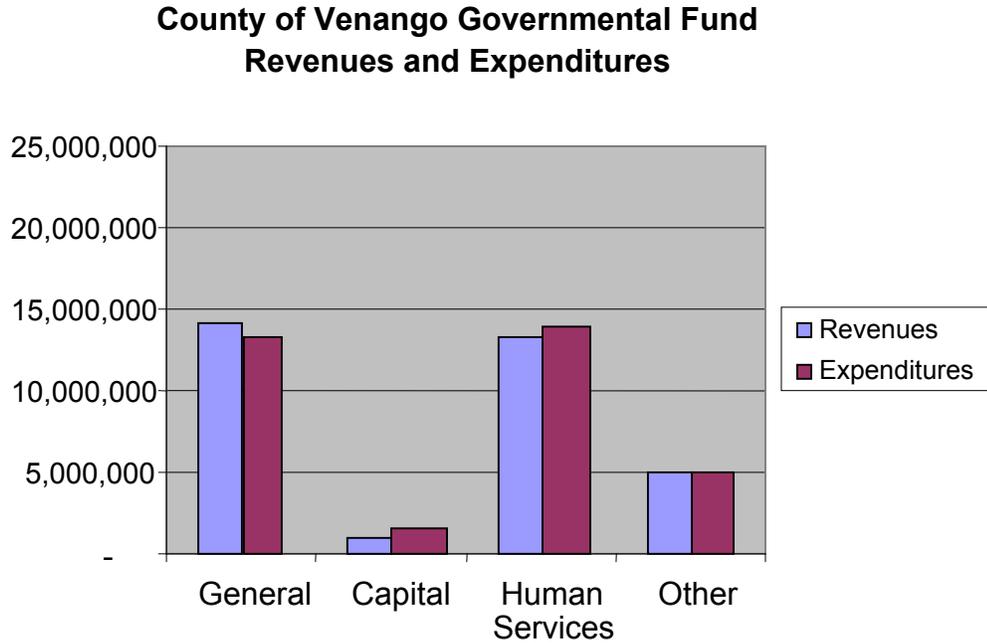
**County of Venango, Governmental Fund
Expenditures Classified by Function
Total Expenditures: \$34,704,310**



Governmental funds expenditures totaled \$34.7 million for the year ended December 31, 2012, of which \$16.7 million (47%) were Human Services expenditures. General Government – Administration, Public Safety, and General Government – Judicial, make up the next largest pieces, each with expenditures ranging from \$3.7 to \$5.2 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following chart graphically depicts the total revenues received and expenditures incurred for the governmental funds for the year ended December 31, 2012:



GENERAL FUND BUDGETARY HIGHLIGHTS

The statement of revenues, expenditures, and changes in fund balance – budget to actual – General Fund for the year ended December 31, 2012 is found on page 7 of the financial statements.

Overall, the County had a favorable variance between the final budget and the actual net change in fund balance of \$1.6 million.

The County had a variance between the final budget and actual revenue of approximately \$256,000. The largest contributors to the variance were the excess of tax revenue over budget. This includes all types of taxes collected by the County.

The County had a favorable variance between the final budget and actual expenditures of approximately \$1,314,000. The majority of this variance occurred in the General Government – Administration and General Government – Judicial functions, which show approximately \$797,000 and \$323,000, respectively, in favorable variances. The variances are primarily due to favorable variances in the salary and benefit lines as well as the contingent expenses as well as planned projects that were not completed during the 2012 timeframe.

CAPITAL ASSETS

The County's investment in capital assets including infrastructure as of December 31, 2012 amounts to \$22,555,659, net of accumulated depreciation. This investment includes land and

MANAGEMENT'S DISCUSSION AND ANALYSIS

land improvements, buildings and building improvements, roads and bridges, machinery, vehicles, and equipment.

LONG-TERM DEBT

In late 2007, the County entered into a capital lease for office space for the Human Services Division. In late 2009, the County entered into agreement to purchase the office space subject to lease. In accordance with the agreement the County assumed the mortgage on the building and made payment to buy out the remainder of the lease in late February 2010. As of December 31, 2012, the County has a total of \$1,349,164 outstanding on the note payable. Of that amount, \$102,118 is payable in 2013.

As of December 31, 2012, the County has a total of \$5,770,000 outstanding on the bonds payable, of which \$1,070,000 is payable in 2013.

BOND RATING

The County was given an A+ bond rating from Standard & Poor's Rating Services in February 2009, which was affirmed in May 2012. In the opinion of the rating service, the County currently maintains a low debt burden with manageable near-term capital needs.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

Office of the County Commissioners
County of Venango, Pennsylvania
1174 Elk Street
P.O. Box 831
Franklin, PA 16323

Financial Statements

COUNTY OF VENANGO, PENNSYLVANIA

STATEMENT OF NET POSITION

DECEMBER 31, 2012

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 12,941,752
Taxes receivable, net	1,484,388
Accounts and loans receivable, at estimated realizable value	842,416
Accounts receivable - fiduciary funds	540,522
Due from other governments	1,596,711
Prepays and other	238,783
Net pension asset	39,307
Capital assets, not being depreciated	1,739,668
Capital assets, net of accumulated depreciation	20,815,991
Lease receivable:	
Current	540,000
Non-current	2,689,665
Total Assets	43,469,203
Liabilities	
Accounts payable	1,705,881
Accrued payroll	340,805
Due to other governments	367,634
Unearned revenue	2,990,455
Compensated absences, non-current	494,359
Notes payable:	
Current	102,118
Non-current	1,247,046
Bonds payable:	
Current	1,070,000
Non-current	4,700,000
Total Liabilities	13,018,298
Net Position	
Net investment in capital assets	15,436,495
Restricted for:	
Operating reserve	2,155,218
Debt service	282,012
Human services	82,569
Roads and bridges	685,196
Affordable housing	152,865
Act 13	52,487
Constable server fees	147,036
Offender identification	242,185
Records improvement/automation	51,440
Sugar Valley Lodge	72,499
Domestic relations	327,290
Other purposes	112,256
Unrestricted:	
Lease receivable	3,229,665
Other unrestricted net position	7,421,692
Total Net Position	\$ 30,450,905

See accompanying notes to financial statements.

COUNTY OF VENANGO, PENNSYLVANIA

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants	Governmental Activities
Governmental activities:					
General government - administration	\$ 5,235,053	\$ 821,582	\$ 182,558	\$ -	\$ (4,230,913)
General government - judicial	3,730,972	1,847,709	333,542	-	(1,549,721)
Public safety	5,088,833	726,851	832,522	-	(3,529,460)
Public works	2,604,843	880,515	-	754,596	(969,732)
Human services	16,660,973	414,394	15,873,602	-	(372,977)
Conservation and development	590,373	-	-	322,170	(268,203)
Culture and recreation	283,762	-	-	-	(283,762)
Interest	200,084	-	-	-	(200,084)
Total governmental activities	\$ 34,394,893	\$ 4,691,051	\$ 17,222,224	\$ 1,076,766	(11,404,852)
General revenues:					
Property taxes					9,876,538
Other taxes					894,058
Interest and investment income					224,373
Other					371,708
Gain on disposal of capital asset					18,828
Total general revenues					11,385,505
Change in Net Position					(19,347)
Net Position:					
Beginning of year					30,470,252
End of year					\$ 30,450,905

See accompanying notes to financial statements.

COUNTY OF VENANGO, PENNSYLVANIA

BALANCE SHEET GOVERNMENTAL FUNDS

DECEMBER 31, 2012

	General Fund	Capital Projects Fund	Human Services Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 7,592,380	\$ (68,564)	\$ 2,549,575	\$ 2,868,361	\$ 12,941,752
Taxes receivable, net	1,484,388	-	-	-	1,484,388
Accounts receivable, net of allowance for uncollectibles	308,707	-	199,501	334,208	842,416
Due from other funds	686,723	609,943	59,719	37,987	1,394,372
Due from other governments	474	-	1,139,051	457,186	1,596,711
Prepays and other	174,072	-	9,297	55,414	238,783
Lease receivable:					
Current	-	540,000	-	-	540,000
Non-current	-	2,689,665	-	-	2,689,665
Total Assets	\$ 10,246,744	\$ 3,771,044	\$ 3,957,143	\$ 3,753,156	\$ 21,728,087
Liabilities and Fund Balance					
Liabilities:					
Accounts payable	\$ 524,493	\$ -	\$ 839,953	\$ 341,435	\$ 1,705,881
Accrued payroll	168,336	-	112,819	59,650	340,805
Due to other funds	83,552	-	699,258	71,040	853,850
Due to other governments	318,214	-	-	49,420	367,634
Deferred revenue	1,684,132	3,274,665	2,054,370	933,237	7,946,404
Total Liabilities	2,778,727	3,274,665	3,706,400	1,454,782	11,214,574
Fund Balance:					
Nonspendable	174,072	-	-	-	174,072
Restricted:					
Operating reserve	2,155,218	-	-	-	2,155,218
Debt service	-	282,012	-	-	282,012
Human services	-	-	42,295	40,274	82,569
Roads and bridges	-	-	-	685,196	685,196
Affordable housing	-	-	-	152,865	152,865
Act 13	-	-	-	52,487	52,487
Constable server fees	-	-	-	147,036	147,036
Offender identification	-	-	-	242,185	242,185
Records improvement/automation	-	-	-	51,440	51,440
Sugar Valley Lodge	-	-	-	72,499	72,499
Domestic relations	-	-	-	327,290	327,290
Other purposes	-	-	-	112,256	112,256
Assigned:					
Capital projects	-	214,367	-	-	214,367
Substance abuse	-	-	208,448	-	208,448
Airport operations	-	-	-	393,862	393,862
Community action	-	-	-	20,984	20,984
Unassigned	5,138,727	-	-	-	5,138,727
Total Fund Balance	7,468,017	496,379	250,743	2,298,374	10,513,513
Total Liabilities and Fund Balance	\$ 10,246,744	\$ 3,771,044	\$ 3,957,143	\$ 3,753,156	\$ 21,728,087

See accompanying notes to financial statements.

COUNTY OF VENANGO, PENNSYLVANIA

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

YEAR ENDED DECEMBER 31, 2012

Total Fund Balance - Governmental Funds				\$ 10,513,513
Amounts reported for governmental activities in the statement of net position are different because:				
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.				22,555,659
Long-term lease receivable is not available in the current period and thus is not available to pay for the current period's expenditures and, therefore, is reported as deferred in the fund statements.				3,274,665
Property taxes receivable and other revenues will be collected in the future, but are not available to pay for the current period's expenditures and, therefore, are deferred in the fund statements.				1,681,284
The net pension asset is reflected on the statement of net position, but is not considered an available resource and, therefore, is not reported in the fund statements.				39,307
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:				
	Accrued compensated absences	\$	(494,359)	
	Notes payable		(1,349,164)	
	Bonds payable		<u>(5,770,000)</u>	
				<u>(7,613,523)</u>
Total Net Position - Governmental Activities				<u>\$ 30,450,905</u>

See accompanying notes to financial statements.

COUNTY OF VENANGO, PENNSYLVANIA

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

YEAR ENDED DECEMBER 31, 2012

	General Fund	Capital Projects Fund	Human Services Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 10,703,630	\$ -	\$ -	\$ -	\$ 10,703,630
Licenses	36,195	-	-	-	36,195
Intergovernmental	967,923	45,248	13,473,681	3,574,525	18,061,377
Charges for services	2,411,694	-	276,023	1,836,991	4,524,708
Fines and forfeits	152,665	-	-	-	152,665
Interest	24,385	3,305	6,370	20,965	55,025
Lease revenue	-	540,000	-	-	540,000
Other	312,603	-	229,272	31,251	573,126
Total revenues	14,609,095	588,553	13,985,346	5,463,732	34,646,726
Expenditures:					
General government - administration	5,148,741	-	-	44,064	5,192,805
General government - judicial	3,229,712	-	-	529,976	3,759,688
Public safety	4,030,494	-	-	860,555	4,891,049
Public works	557,664	-	-	1,389,018	1,946,682
Human services	78,454	-	14,149,003	2,440,495	16,667,952
Conservation and development	256,940	-	-	333,433	590,373
Culture and recreation	252,364	-	-	-	252,364
Capital outlay	-	77,472	-	-	77,472
Debt service	-	1,325,925	-	-	1,325,925
Total expenditures	13,554,369	1,403,397	14,149,003	5,597,541	34,704,310
Excess (Deficiency) of Revenues Over Expenditures	1,054,726	(814,844)	(163,657)	(133,809)	(57,584)
Other Financing Sources (Uses):					
Sale of fixed assets	6,477	-	17,080	630	24,187
Transfers in	1,436,029	1,097,631	1,453,328	872,582	4,859,570
Transfers out	(2,650,190)	(254,551)	(1,291,924)	(662,905)	(4,859,570)
Total other financing sources (uses)	(1,207,684)	843,080	178,484	210,307	24,187
Net Change in Fund Balance	(152,958)	28,236	14,827	76,498	(33,397)
Fund Balance:					
Beginning of year	7,620,975	468,143	235,916	2,221,876	10,546,910
End of year	\$ 7,468,017	\$ 496,379	\$ 250,743	\$ 2,298,374	\$ 10,513,513

See accompanying notes to financial statements.

COUNTY OF VENANGO, PENNSYLVANIA

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

YEAR ENDED DECEMBER 31, 2012

Net Change in Fund Balance - Governmental Funds \$ (33,397)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period:

	Capital outlays	\$ 1,062,672	
	Less: depreciation expense	<u>(1,943,769)</u>	(881,097)

Losses on disposal of capital assets occur only the statement of activities, as capital assets are expensed when purchased in governmental funds. (5,359)

The net pension asset is reflected on the statement of net position, but is not considered an asset that is available to pay current liabilities for the fund statements. The value changed by this amount during the year. 39,307

Some taxes and other revenues will not be collected for several months after the County of Venango's year-end; they are not considered as "available" revenues in the governmental funds. Deferred revenues changed by this amount during the year. 80,644

The issuance of long-term obligations (e.g., bonds or capital lease financing) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term obligations and related items. 1,125,841

The lease receivable is scheduled to be collected in monthly installments over the life of the lease and, therefore, these revenues are not considered "available" revenues until collected in the governmental funds. The change in the value of the lease receivable is shown here. (370,652)

In the statement of activities, certain operating expenses - accumulated employee benefits (workers' compensation and sick days) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This amount represents the difference between the amount earned versus the amount used. 25,366

Change in Net Position of Governmental Activities \$ (19,347)

See accompanying notes to financial statements.

COUNTY OF VENANGO, PENNSYLVANIA

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

YEAR ENDED DECEMBER 31, 2012

	Budgeted Amounts		Actual amounts (Budgetary Basis) (See Note 2)	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 10,259,100	\$ 10,259,100	\$ 10,770,596	\$ 511,496
Licenses	32,730	32,730	37,366	4,636
Intergovernmental	735,619	1,164,030	995,450	(168,580)
Charges for services	2,555,961	2,593,158	2,589,484	(3,674)
Fines and forfeits	132,650	132,650	157,407	24,757
Interest	27,900	27,900	15,510	(12,390)
Other	37,892	81,661	(18,386)	(100,047)
Total revenues	<u>13,781,852</u>	<u>14,291,229</u>	<u>14,547,427</u>	<u>256,198</u>
Expenditures:				
General government - administration	5,751,758	5,930,146	5,132,899	797,247
General government - judicial	3,881,543	4,006,230	3,683,380	322,850
Public safety	3,681,725	4,061,736	4,018,649	43,087
Public works	537,017	567,017	555,864	11,153
Human services	91,566	91,566	78,158	13,408
Conservation and development	279,245	373,023	251,444	121,579
Culture and recreation	260,965	260,965	256,013	4,952
Total expenditures	<u>14,483,819</u>	<u>15,290,683</u>	<u>13,976,407</u>	<u>1,314,276</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(701,967)</u>	<u>(999,454)</u>	<u>571,020</u>	<u>1,570,474</u>
Other Financing Sources (Uses):				
Sale of fixed assets	-	-	6,477	6,477
Transfers in	3,392,680	3,690,167	3,687,249	(2,918)
Transfers out	(2,690,713)	(2,690,713)	(2,650,190)	40,523
Total other financing sources (uses)	<u>701,967</u>	<u>999,454</u>	<u>1,043,536</u>	<u>44,082</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,614,556</u>	<u>\$ 1,614,556</u>

See accompanying notes to financial statements.

COUNTY OF VENANGO, PENNSYLVANIA

STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS

DECEMBER 31, 2012

	Pension Trust Fund	Agency Funds	Total
Assets			
Cash and cash equivalents	\$ 2,028,243	\$ 682,956	\$ 2,711,199
Investments:			
Bond mutual funds	5,236,632	-	5,236,632
U.S. government and agency securities	5,079,738	-	5,079,738
Corporate bonds	3,909,683	-	3,909,683
Municipal bonds	4,921	-	4,921
Equity mutual funds	4,087,288	-	4,087,288
Common stock	21,561,087	-	21,561,087
Accounts receivable and fines, at estimated realizable value	-	366,788	366,788
Total Assets	41,907,592	1,049,744	42,957,336
Liabilities			
Due to other funds	-	540,522	540,522
Due to other governments	-	122,267	122,267
Escrow liability and interest	-	386,955	386,955
Total Liabilities	-	1,049,744	1,049,744
Net Position Held in Trust for Pension Benefits	\$ 41,907,592	\$ -	\$ 41,907,592

See accompanying notes to financial statements.

COUNTY OF VENANGO, PENNSYLVANIA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUNDS

YEAR ENDED DECEMBER 31, 2012

	<u>Pension Trust Fund</u>
Additions:	
Contributions:	
Employee	\$ 1,123,122
Employer	<u>649,335</u>
Total contributions	<u>1,772,457</u>
Investment income/loss:	
Net appreciation in fair value of investments	2,616,772
Interest and dividends	<u>1,108,928</u>
Total investment income	3,725,700
Investment expense	<u>148,408</u>
Net investment income	<u>3,577,292</u>
Total additions	<u>5,349,749</u>
Deductions:	
Benefits and refunds paid to plan members and beneficiaries	2,591,796
Administrative expense	<u>47,696</u>
Total deductions	<u>2,639,492</u>
Increase in Net Position	2,710,257
Net Position:	
Beginning of year	<u>39,197,335</u>
End of year	<u>\$ 41,907,592</u>

See accompanying notes to financial statements.

COUNTY OF VENANGO, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

1. REPORTING ENTITY

The County of Venango (County), located in western Pennsylvania, is a sixth class County, originally chartered in 1800 by an act of the Legislature. The County operates under an elected three-member Board of Commissioners (Commissioners). The County provides services in many areas to its residents, including various general government services, public safety, human services, and culture and recreation. These programs are financed mainly through the assessment of taxes, charges for services, and federal and state grants.

The reporting entity for the County includes the accounts of all County operations, including administrative and judicial general government, corrections, and health and welfare.

Management has evaluated all potential component units, and has determined the County has no component units. Consistent with applicable guidance, the criteria used by the County to evaluate the possible inclusion of related entities within its reporting entity are financial accountability and the nature and significance of the relationship. In determining financial accountability in a given situation, the County reviews the applicability of the following criteria:

1. Organizations that make up the legal County entity.
2. Legally separate organizations if the Commissioners appoint a voting majority of the organizations' governing body and the County is able to impose its will on the organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the County.
 - a. Impose its Will - If the County can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization.
 - b. Financial Benefit or Burden - Exists if the County (1) is entitled to the organization's resources, (2) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide support to, the organization, or (3) is obligated in some manner for the debt of the organization.
3. Organizations that are fiscally dependent on the County. Fiscal dependency is established if the organization is unable to adopt its budget, levy taxes or set rates or charges, or issue bonded debt without approval by the County.

Following are related organizations, which, with the exception of the Oil Region Alliance, have the majority of their governing Board appointed by the Commissioners, without the County being financially accountable for the organization:

COUNTY OF VENANGO, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

Oil Region Alliance (ORA)

The ORA is a private non-profit incorporated for the purpose of increasing the prosperity and population of the Oil Region through the preservation, promotion, development, and support of historical, educational, natural, recreational, residential, commercial, and industrial destinations. The County appoints one of twenty-five Board members, and the ORA has been designated by the Commissioners as the lead economic development agency in the County. During 2008, the County entered into a lease agreement with the ORA, as further described in Note 9. The ORA does not meet the criteria for inclusion in the County's financial reporting entity. Although a financial relationship exists, the County does not appoint a majority of the board, and no control is exercised over the ORA.

Venango County Housing Authority

The Venango County Housing Authority (Housing Authority) administers HUD's Section 8 housing program for the County and is funded through federal grants and other revenues. The Housing Authority's Board is appointed by the County and operates independently of any ongoing involvement of the Commissioners. The Housing Authority is not financially accountable to the County and no financial benefit or burden exists between the two entities.

Venango County Industrial Development Authority

The Venango County Industrial Development Authority (Development Authority) issues low interest, tax-exempt bonds, and uses the proceeds to finance projects intended to stimulate economic growth in the County. The Development Authority's Board is appointed by the County. The County must approve the concept of any major bond issue of the Development Authority but only in relation to the benefit to the County of the projects that will be funded through the debt proceeds. The approval is considered to be ministerial and the County can not exercise its will over the Development Authority. The County has no responsibility for the Development Authority debt payments.

Venango County Conservation District

The Venango County Conservation District (Conservation District), whose Board is appointed by the County, provides services and programs intended to address the conservation of the County's natural resources. The Conservation District operates independently of any ongoing involvement of the County and no financial benefit or burden exists between the two entities.

COUNTY OF VENANGO, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-Wide and Fund Financial 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 County. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental grants, are reported separately from business-type activities, (of which the County has none) which rely to a significant extent on fees and charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Amounts reported as program revenues include 1) charges to customers for services provided and rents and 2) operating grants. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 30 days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

COUNTY OF VENANGO, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

Property taxes, franchise taxes, licenses, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of receivables due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *General Fund* is the principal operating fund of the County which is used to account for all financial resources not accounted for in other funds.

The *Capital Projects Fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

The *Human Services Fund* is used to account for the proceeds of revenue received from various federal, state and county sources. This fund provides social services to eligible recipients.

Additionally, the government reports the following fiduciary funds:

The *Pension Trust Fund* accounts for the activities of the Employees Retirement System, which accumulates resources for pension benefit payments to qualified employees.

The *Agency Funds* are custodial in nature and do not involve measurement of results of operations. Agency funds are used to account for cash collected by elected row officers (Register of Wills and Recorder of Deeds, Sheriff, Prothonotary and Clerk of Courts, and Treasurer) and other County offices that are subsequently disbursed to the County, other governments, or individuals for whom it was collected.

Interfund Activity in the Government-Wide Financial Statements

The effect of interfund activity has been eliminated from the government-wide financial statements.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include all highly liquid investments with a maturity of three months or less when purchased.

COUNTY OF VENANGO, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

Investments

Investments are stated at fair value based on current market prices.

Interfund Receivables and Payables

Activities between governmental funds that are representative of temporary lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds” (i.e., the current portion of interfund loans). Any residual balances outstanding between the governmental activities and fiduciary funds are reported in the government-wide financial statements as “accounts receivable – fiduciary funds.”

Inventories and Prepaid Items

Inventories used in governmental funds, principally supplies, are accounted for as expenditures when purchased. The amount of inventory at December 31, 2012 is not significant.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include land and land improvements, building and improvements, machinery and equipment, and infrastructure (e.g., roads, bridges, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the County as assets with initial, individual cost of more than of \$1,000 and an estimated useful life in excess of three years. Such assets are valued at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. These costs are charged to operations when incurred.

Property, plant, and equipment of the primary government is depreciated using the straight-line method over the following estimated useful lives:

Land improvements	20 years
Buildings and improvements	5 - 40 years
Machinery and equipment	5 - 20 years
Infrastructure	10 - 40 years

COUNTY OF VENANGO, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

Compensated Absences

Calculation of the liability amount is determined by the appropriate vacation, sick, and lump sum payments, which would be available to employees if they would leave or retire from the County.

All accumulated vacation pay is accrued when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

Fund Balance

In the fund financial statements, governmental funds report fund balance in categories based on the level of restriction placed upon the funds. These levels are as follows:

- Nonspendable – This category represents funds that are not in spendable form and includes prepaid expenditures.
- Restricted – This category represents funds that are limited in use due to constraints on purpose and circumstances of spending that are legally enforceable by outside parties. This category includes funds that are legally restricted for operating reserve, debt service, human services, roads and bridges, affordable housing, airport operations, hazardous materials, 911, Act 13, constable server fees, offender identification, juvenile court restitution, records improvement and automation, Sugar Valley Lodge, adoption counseling, and domestic relations.

COUNTY OF VENANGO, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

- Committed – This category represents funds that are limited in use due to constraints on purpose and circumstances of spending imposed by the County’s highest level of decision-making authority. The County Commissioners are the highest level of decision-making authority for the County and can make such commitment via a resolution prior to the end of the fiscal year. A commitment can only be modified or removed by an equal action of the County Commissioners. There was no committed fund balance at December 31, 2012.
- Assigned – This category represents intentions of the County to use the funds for specific purposes but do not meet the criteria to be classified as committed. The County Commissioners have the authority to assign amounts to be used for specific purposes. This category includes amounts set aside for capital projects, substance abuse, airport operations, and community action.
- Unassigned – This category includes the residual classification for the County’s General Fund and includes all spendable amounts not contained in other classifications.

The County’s policy is to use funds in the order of the most restrictive to the least restrictive. When the components of unrestricted fund balance can be used for the same purpose, committed fund balance is used first, followed by assigned fund balance. Unassigned fund balance is applied last.

Budgets and Budgetary Accounting

Annual budgets are required to be adopted on a basis consistent with cash basis for the General Fund. The budgetary controls for the Human Services Fund and other funds are maintained through enforcement of related grant provisions or debt indentures.

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Starting in August, a budget package is prepared and sent to each department and row officer. The department or agency heads use this budget package to develop financial projections for their programs for the ensuing year.
 2. The budget is presented in preliminary form to the Commissioners in September. The Commissioners can interview department or agency heads to discuss their budgets if deemed necessary.
 3. Upon consolidation of the department and agency expenditure projections, the Commissioners ascertain the most viable method of financing them.
-

COUNTY OF VENANGO, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

4. Subsequently, the preliminary projections of revenues and expenditures are incorporated into a final budget including any revisions or adjustments resulting from the aforementioned Commissioners' review.
5. By December, the final budget is presented to the Commissioners. Pursuant to budgetary requirements as set forth in the County Code, public notice is given that the final budget is available for inspection for a period of 20 days.
6. After the 20-day inspection period, but no later than December 31, the County Commissioners adopt the final budget by enacting an appropriate resolution.

Legally, management of the County including department heads may make budgetary transfers between departments as long as overall fund expenditures are not affected. However, as a matter of control all transfers between departmental budgets are ratified by the Commissioners. 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 the proceeds of any borrowing now or hereafter authorized by law. The Commissioners may authorize the transfer of any unencumbered balance of any appropriation item or any portion thereof. The Commissioners must approve changes to overall appropriations at the fund level. Therefore, the legal level of budgetary responsibility is by fund.

During the year, there were supplemental appropriations enacted. Budget transfers did occur between accounts. The statement of revenues, expenditures, and changes in fund balance - budget and actual – General Fund, reflects the originally adopted budget and the originally adopted budget adjusted for supplemental appropriations. Appropriations lapse at the close of the fiscal year to the extent that they have not been expended.

The following is a reconciliation of the actual results of operations in the statement of revenues, expenditures, and changes in fund balance – General Fund to the budgetary cash basis of accounting used in the statement of revenues, expenditures, and changes in fund balance – budget and actual – General Fund.

COUNTY OF VENANGO, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

	<u>General Fund</u>
Net change in fund balance - General Fund as presented (modified accrual)	\$ (152,958)
Adjustment to reconcile accounts and real estate taxes receivable to budgetary basis	52,819
Adjustment to reconcile prepaids and accounts and wages payable to budgetary basis	42,140
The Operating Reserve Fund is reported within the General Fund but is budgeted as a separate fund	1,863,821
Domestic Relations Fund is budgeted in the General Fund but is presented separately as an other governmental fund	<u>(191,266)</u>
Net change in fund balance - General Fund budgetary basis (cash basis)	<u><u>\$ 1,614,556</u></u>

Estimates

The preparation of the financial statements in conformity with accounting standards generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ than those estimates.

Net Position

Accounting standards requires the classification of net position into these components – net investment in capital assets; restricted; and unrestricted. These classifications are defined below:

- Net investment in capital assets – This component of net position consists of 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 improvement of these assets.
- Restricted – This component of net position consists of constraints placed on asset use through external restrictions.

COUNTY OF VENANGO, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

- Unrestricted – This component of net position consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

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

Adopted Pronouncements

Governmental Accounting Standards Board (GASB) Statement No. 62, “*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.*” The Statement codifies into the GASB standards guidance located in FASB and AICPA pronouncements.

GASB issued Statement No. 63, “*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.*” This Statement provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of net position and related disclosures. The primary impact of this Statement on the County’s 2012 financial statements related to reporting the residual of assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources as net “position,” rather than net “assets.” As of December 31, 2012, the County had no items that qualified for reporting in the deferred inflow of resources or deferred outflow of resources categories.

Pending Pronouncements

GASB has issued Statement No. 61, “*The Financial Reporting Entity: Omnibus,*” effective for periods beginning after June 15, 2012. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity by modifying existing requirements for the assessment of potential component units.

GASB has issued Statement No. 65, “*Items Previously Reported as Assets and Liabilities,*” effective for period beginning after December 15, 2012. This Statement reclassifies certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. In addition, this Statement recognizes certain items currently being reported as assets and liabilities as outflows of resources and inflows of resources.

GASB has issued Statement No. 67, “*Financial Reporting for Pension Plans,*” effective for periods beginning after June 15, 2013 and has also issued Statement No. 68, “*Accounting and Financial Reporting for Pensions,*” effective for periods beginning after June 15, 2014. These Statements revise existing guidance for the financial reports of most pension plans, and establish new financial reporting requirements for most governments that provide their employees with pension benefits.

COUNTY OF VENANGO, PENNSYLVANIA

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GASB has issued Statement No. 70, “*Accounting and Financial Reporting for Non-exchange Financial Guarantees*,” effective for financial statements for periods beginning after June 15, 2013. This Statement specifies the information required to be disclosed by governments that extend non-exchange financial guarantees, and requires a government that extends a non-exchange 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.

Management has not yet determined the impact of these Statements on the County’s financial statements.

3. DEPOSITS AND INVESTMENTS

Pennsylvania statutes provide for investment of governmental funds into certain authorized investment types including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations, insured or collateralized time deposits, and certificates of deposit. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of governmental funds for investment purposes.

In addition to the investments authorized for governmental funds, fiduciary fund investments may also be made in corporate stocks and bonds and other investments consistent with sound business practice.

The risk that an issuer or other counterparty to an investment will not fulfill its obligations is called credit risk. The County’s current deposit and investment policy limits its investment choices based on credit ratings by nationally recognized statistical rating organizations to the following:

- United States Treasury bills.
- Obligations of the United States government or its agents or instrumentalities.
- Deposits in savings or time accounts or share accounts of financial institutions having their principal place of business in the Commonwealth of Pennsylvania and are insured by the FDIC, FSLIC, NCUSIF, PDIC, or PSAIC and, for any amounts above the insured maximum, are collateralized as provided by law.
- Obligations of the United States of America, the Commonwealth of Pennsylvania, or any political subdivision, or any of its respective agencies or instrumentalities, which are backed by the full faith and credit of the respective government unit.
- Certificates of deposit purchased from institutions having their principal place of business in the Commonwealth of Pennsylvania and are insured by the FDIC, FSLIC, NCUSIF, PDIC, or PSAIC and, for any amounts above the insured maximum, are collateralized by a pledge or assignment of assets of the institution.

COUNTY OF VENANGO, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

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The deposit and investment policy of the County adheres to state statutes. Deposits of the governmental funds are either maintained in demand deposits, savings accounts, or certificates of deposit.

Deposits

The following is a description of the County's deposit risks:

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County's formal policy for custodial credit risk is described above. Of the bank balance of \$13,581,675 at December 31, 2012, \$1,221,971 was covered by federal depository insurance. The remaining balance of \$12,359,704 was collateralized in accordance with Act 72 of the Pennsylvania state legislature, which requires the institution to pool collateral for all governmental deposits and has the collateral held by an approved custodian in the institution's name. These deposits, with carrying amounts of \$12,941,752 as of December 31, 2012, are reported as cash and cash equivalents in the statement of net position.

Agency Fund

The County maintains bank accounts for the elected row officers and other County offices. The balance of these accounts is reflected in the statement of fiduciary net position. The carrying amount of deposits for the row offices and other County offices was \$682,956 and the bank balance was \$691,387. Of the bank balance, \$291,149 was covered by federal depository insurance. The remaining balance of \$400,238 was collateralized in accordance with Act 72 of the Pennsylvania state legislature, which requires the institution to pool collateral for all governmental deposits and has the collateral held by an approved custodian in the institution's name.

Pension Trust Fund

The Pension Trust Fund investments are held separately from those of other County funds. Investments of the plan are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. The County's Pension Trust Fund maintains investment policies that summarize the investment philosophy of the County's Pension Trust Fund and establishes investment guidelines and performance objectives for the Pension Trust Fund.

As of December 31, 2012, the County Pension Trust Fund held the following investments:

COUNTY OF VENANGO, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

<u>Cash or Investment Type</u>	<u>Fair Market Value</u>	<u>Investment Maturities (In Years) from December 31, 2012</u>			
		<u>Less than 1 Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>	<u>More than 10 Years</u>
Bond Mutual Funds	\$ 5,236,632	\$ 5,236,632	\$ -	\$ -	\$ -
U.S. Government and Agency Securities	5,079,738	-	3,157,929	942,175	979,634
Corporate Bonds	3,909,683	-	1,021,280	1,933,522	954,881
Municipal Bonds	4,921	-	-	4,921	-
Total debt securities	<u>14,230,974</u>	<u>5,236,632</u>	<u>4,179,209</u>	<u>2,880,618</u>	<u>1,934,515</u>
Cash and Cash Equivalents	2,028,243				
Equity Mutual Funds	4,087,288				
Common Stock	<u>21,561,087</u>				
Total Pension Trust Fund cash, cash equivalents, and investments reported on statement of fiduciary net position	<u><u>\$ 41,907,592</u></u>				

The following is a description of the County's Pension Trust Fund deposit and investment risks:

Credit risk - The risk that an issuer or other counterparty to an investment will not fulfill its obligations is called credit risk. The County's Pension Trust Fund current investment policy has no qualitative guidelines suggested with regard to ratings, rankings, etc., except that all assets selected for the portfolio must have a readily ascertainable market value, must be marketable, and bonds must be investment grade. The pension investment policy limits its deposit and investment choices to the following:

Equities: Common stock, convertible securities, including debentures and American depository receipts.

Fixed-income investments: U.S. Government and Agency securities notes and bonds, commercial paper, certificates of deposit, corporate bonds, preferred stock, insured unit investment trusts, and laddered bond portfolio.

Short Term Cash: Funds must be deposited in a money market fund, an interest bearing account, or in 30-day treasuries. No more than \$100,000 is to be on deposit with any single institution, and no instrument of deposit will carry a maturity greater than 180 days, and the institution must be FDIC insured. Rarely, based on the timing of receipts and disbursements, does the County maintain greater than \$100,000 in their Pension Trust Fund checking account. The Pension Trust Fund Board does not have concerns at this time.

As of December 31, 2012, the County's Pension Trust Fund investments in corporate bonds and U.S. Government and Agency securities have received the following ratings from Moody's:

COUNTY OF VENANGO, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

Investment Type	Moody's Rating	Percentage of Total Pension Trust Fund Corporate Bonds
Corporate Bonds	Aaa	4%
Corporate Bonds	Aa1	1%
Corporate Bonds	Aa2	4%
Corporate Bonds	Aa3	4%
Corporate Bonds	A1	10%
Corporate Bonds	A2	20%
Corporate Bonds	A3	9%
Corporate Bonds	Baa1	14%
Corporate Bonds	Baa2	26%
Corporate Bonds	Baa3	5%
Corporate Bonds	Unrated	3%
		100%

Investment Type	Moody's Rating	Percentage of Total U.S. Government and Agency Securities
U.S. Government Agency	Aaa	99%
U.S. Government Agency	Unrated	1%
		100%

Custodial Credit Risk - For deposits and investments, custodial credit risk is the risk that in the event of the failure of the bank or counterparty, the Pension Trust Funds will not be able to recover the value of their deposits or investments or collateral securities that are in the possession of an outside entity. The County's Pension Trust Fund does not have a formal investment policy for custodial credit risk. The County's Pension Trust Fund investments in mutual funds cannot be classified by risk category because they are not evidenced by securities that exist in physical or book entry form. As of December 31, 2012, the County's Pension Trust Fund cash and cash equivalents bank and investment balance was \$2,063,817 and the carrying amount was \$2,028,243. Of the bank and investment balance, \$1,885,818 was exposed to custodial credit risk. All of the County's Pension Trust Fund investments were uninsured and held by the counterparty, or by the counterparty's trust department or agent but not in the County's name. The counterparties are members of the Securities Investor Protection Corporation (SIPC), which provides insurance coverage up to \$500,000 of the net equity balance, including up to \$250,000 in cash, in the event the counterparty fails, owing the County cash and securities that are missing from their accounts. This coverage does not extend to losses incurred due to fraud, misrepresentation, or investment decisions.

COUNTY OF VENANGO, PENNSYLVANIA

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YEAR ENDED DECEMBER 31, 2012

Interest Rate Risk – The Pension Trust Fund 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.

Risks and Uncertainties

Financial instruments, which potentially expose the County to concentrations of credit risk, include investments in marketable securities. As a matter of policy, the County maintains investment balances only with institutions having a high credit quality. Concentration of credit risk for investments in marketable securities is mitigated by the overall diversification of managed investment portfolios. Investment securities are also exposed to various other risks such as interest rate risk and market risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near-term and that such a change could materially affect the amount reported on the statement of net position.

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2012 was as follows:

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NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

	Balance at January 1, 2012	Transfers/ Additions	Transfers/ Deletions	Balance at December 31, 2012
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,732,152	\$ 7,516	\$ -	\$ 1,739,668
Capital assets, being depreciated:				
Land improvements	497,017	-	(7,516)	489,501
Buildings and improvements	15,446,668	320,445	-	15,767,113
Machinery and equipment	12,940,207	742,227	(436,867)	13,245,567
Infrastructure	22,882,778	-	-	22,882,778
Total capital assets, being depreciated	51,766,670	1,062,672	(444,383)	52,384,959
Less: accumulated depreciation for:				
Land improvements	(293,420)	(28,652)	-	(322,072)
Buildings and improvements	(6,386,402)	(416,440)	-	(6,802,842)
Machinery and equipment	(9,311,536)	(837,204)	431,508	(9,717,232)
Infrastructure	(14,065,349)	(661,473)	-	(14,726,822)
Total accumulated depreciation	(30,056,707)	(1,943,769)	431,508	(31,568,968)
Total capital assets, being depreciated net	21,709,963	(881,097)	(12,875)	20,815,991
Governmental activities, capital assets, net	\$ 23,442,115			\$ 22,555,659

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 164,271
Judicial	42,744
Public safety	389,247
Public works	968,831
Human services	347,024
Culture and recreation	31,652
Total depreciation expense - governmental activities	\$ 1,943,769

COUNTY OF VENANGO, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

5. REAL ESTATE TAXES

Real estate taxes attach as an enforceable lien on property as of January 1 and are levied on March 1. These taxes are billed by the County and collected by elected tax collectors. Taxes paid through April 30 are reduced by a 2% discount. Amounts paid after June 30 are assessed a 10% penalty. The County collects delinquent real estate taxes on behalf of itself and other taxing authorities.

The County is permitted by the County Code of Pennsylvania to levy real estate taxes up to 25 mills on every dollar of assessed valuation for general County purposes and the rate of taxation for payment of interest and principal on any indebtedness shall be unlimited. For 2012, County real estate taxes were levied at the rate of 5.565 mills on assessed valuation. Total assessed valuation for non-exempt properties in 2012 was approximately \$1,972,000,000.

All taxes receivables are shown net of an allowance for uncollectibles. Uncollected real estate taxes at December 31, 2012, including delinquent amounts, interest, and penalties, were \$1,770,620. Of this amount, approximately \$286,232 was considered uncollectible at December 31, 2012 and is netted against the corresponding taxes receivable balance on the statement of net position.

6. ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

All trade and taxes receivables are shown net of an allowance for uncollectibles. The County estimates the allowance for uncollectibles using historical collection data and in certain cases, specific account analysis. The allowance for uncollectible accounts at December 31, 2012 is as follows:

	<u>Gross Receivable</u>	<u>Allowance for Uncollectibles</u>	<u>Net Receivable</u>
Governmental activities:			
Property taxes receivable	<u>\$ 1,770,620</u>	<u>\$ 286,232</u>	<u>\$ 1,484,388</u>
Court-related receivables (portion of accounts receivable - fiduciary funds)	<u>\$ 4,052,928</u>	<u>\$ 3,686,140</u>	<u>\$ 366,788</u>

COUNTY OF VENANGO, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

7. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Individual fund receivable and payable balances at December 31, 2012, as well as interfund transfers for the year ended December 31, 2012, were as follows:

<u>Funds</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental activities:				
General	\$ 686,723	\$ 83,552	\$ 1,436,029	\$ 2,650,190
Capital Projects	609,943	-	1,097,631	254,551
Human Services	59,719	699,258	1,453,328	1,291,924
Other governmental funds	37,987	71,040	872,582	662,905
Fiduciary Fund:				
Agency Funds	-	540,522	-	-
	<u>\$ 1,394,372</u>	<u>\$ 1,394,372</u>	<u>\$ 4,859,570</u>	<u>\$ 4,859,570</u>

A large portion of the General Fund interfund transfers out and Human Service Fund transfers in represents the County's required contribution to various programs based upon Department of Public Welfare requirements. The majority of the interfund receivable balance in the General Fund represents amounts due from various Agency Funds, and overpayments due back from the Human Services Fund.

8. VENANGO COUNTY EMPLOYEES' RETIREMENT SYSTEM

Plan Description

The Venango County Employees' Retirement System (Plan), as administrated by the County, is a single employer defined benefit pension plan governed by the County Pension Law Act 96 (Act) of 1971, as amended, enacted by the General Assembly of the Commonwealth of Pennsylvania. The Plan is reported as the Employees' Retirement Fund in the accompanying financial statements. Separate Plan financial statements are not available.

All full-time County employees become plan participants immediately upon becoming an employee. Membership in the Plan is optional for elected officials. The Plan requires each member to contribute a percentage of their salary to the plan. The Plan provides retirement, disability, and death benefits to plan members and their beneficiaries.

At January 1, 2012, the date of the most recent valuation, participants in the Plan were as follows:

COUNTY OF VENANGO, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

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Participants:		
Retirees and beneficiaries		266
Deferred vested		34
Active employees:		
Vested		118
Nonvested		258

Summary of Significant Accounting Policies

Financial information of the Plan is presented on the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the Plan are recognized when due as required by the Act and the employer has made a formal commitment to provide contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Investments of the Plan are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national exchanges are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

At December 31, 2012, there were no individual investments that are required to be disclosed that constituted more than 5% of any of the Plan net position available for benefits. In addition, the Plan did not have any investment transactions with related parties during the year.

Funding Policy

The Plan funding policy provides for periodic employer contributions at actuarially determined rates, that expressed as a percentage of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due. Level percentage of payroll employer contribution rates is determined using the aggregate actuarial funding method and the same actuarial assumptions used to calculate the net pension obligation.

As a condition of participation, employees hired after January 1, 2004 are required to contribute 9% of their salary and employees hired prior to January 1, 2004 are required to contribute 8%, as stipulated in the Act. Interest is credited to employee accounts each year at an annual rate of between 4.0% and 5.5% as voted upon by the County Retirement Board.

Administrative costs, including investment, custodial trustee, and actuarial services are charged to the Plan and funded from investment earnings.

COUNTY OF VENANGO, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

Contributions

The County's net pension asset (NPA) is as follows:

Annual required contribution	\$ 649,335
Interest on NPA	(3,110)
Adjustment to the ARC	<u>5,264</u>
Annual pension cost	651,489
Contributions made	<u>690,796</u>
Change in NPA	(39,307)
NPA, beginning of year	<u>-</u>
NPA, end of year	<u><u>\$ (39,307)</u></u>

The County's annual pension cost and related information is as follows:

<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Asset</u>
12/31/2010	\$ 480,564	100.0%	\$ -
12/31/2011	484,077	100.0%	-
12/31/2012	651,489	106.0%	(39,307)

Funding Status and Funding Progress

The County's funded status and related information for the Plan as of the latest actuarial valuation date, January 1, 2012, is as follows:

<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) Entry Age</u>	<u>Excess of Assets Over (Under) AAL</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Excess (Deficiency) of AAL as a Percentage of Covered Payroll</u>
\$ 39,566,240	\$ 39,955,732	\$ (389,492)	99.0%	\$ 12,251,599	-3.2%

The required schedule of funding progress included as required supplementary information immediately following the notes to financial statements presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

COUNTY OF VENANGO, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

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Actuarial Methods and Assumptions

Annual pension cost	\$ 651,489
Contributions made	\$ 690,796
Actuarial valuation date	1/1/2012
Actuarial cost method	Aggregate**
Asset valuation method	5-Year Smoothed Market
Actuarial assumptions:	
Investment rate of return*	7.5%
Projected salary increases*	4.5%
Cost of living adjustments	100% change in C.P.I.

* Includes inflation at 3%.

** The aggregate actuarial cost method is used to determine the annual required contribution for the Plan. Because this method does not identify or separately amortize unfunded actuarial liabilities, information about funded status is prepared using the entry age actuarial cost method and is intended to serve as a surrogate for the funded status of the Plan.

As noted above, certain pension information and calculations are based upon an actuarial valuation performed as of January 1, 2012. The next actuarial valuation will be performed as of January 1, 2013.

9. LONG-TERM LIABILITIES

In February 2009, the County issued General Obligation Bonds, Series of 2009 (2009 Bonds), in the amount of \$9,615,000. The 2009 Bonds proceeds were used to refund the County's 2002 and 2003 Bonds, and pay the cost of issuing and insuring the bonds. The 2009 Bonds, whose last scheduled maturity date is June 1, 2019, bear interest at rates between 2% and 5%.

Annual debt service requirements to maturity related to the 2009 Bonds are as follows:

COUNTY OF VENANGO, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

<u>Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 1,070,000	\$ 161,720	\$ 1,231,720
2014	1,115,000	120,754	1,235,754
2015	1,140,000	91,575	1,231,575
2016	655,000	66,788	721,788
2017	690,000	46,613	736,613
2018-2019	1,100,000	31,969	1,131,969
	<u>\$ 5,770,000</u>	<u>\$ 519,419</u>	<u>\$ 6,289,419</u>

General Obligation Note

The County entered into an agreement with the ORA to lease office and storage space for use by various Human Service departments beginning in 2008. The lease was for a term of 20 years, and payments escalated from approximately \$35,000 per month to approximately \$48,000 over the term of the lease.

In 2010, the County bought out the remainder of the lease with the ORA. The terms of this transaction included a \$1,000,000 payment for the lease termination, as well as assumption of the mortgage that was held by the ORA in the amount of \$1,609,000. The terms of the mortgage include a balloon payment of approximately \$768,000 in February 2018, and the County has established a sinking fund to provide for level monthly debt payments.

Annual debt service requirements related to the mortgage and sinking fund are as follows:

<u>Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 102,118	\$ 71,366	\$ 173,484
2014	107,823	65,661	173,484
2015	113,709	59,775	173,484
2016	119,960	53,524	173,484
2017	126,876	46,608	173,484
2018	778,678	7,220	785,898
Total	<u>\$ 1,349,164</u>	<u>\$ 304,154</u>	<u>\$ 1,653,318</u>

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2012 was as follows:

COUNTY OF VENANGO, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

	Balance at December 31, 2011	Additions	Reductions	Balance at December 31, 2012	Due Within One Year
Compensated absences	\$ 519,725	\$ -	\$ (25,366)	\$ 494,359	\$ -
General obligation note	1,445,005	-	(95,841)	1,349,164	102,118
Bond series - 2009	6,800,000	-	(1,030,000)	5,770,000	1,070,000
Long-term liabilities	<u>\$ 8,764,730</u>	<u>\$ -</u>	<u>\$ (1,151,207)</u>	<u>\$ 7,613,523</u>	<u>\$ 1,172,118</u>

10. LEASE RECEIVABLE

On January 1, 1998, Venango Manor, a 214-bed nursing home, was sold to Sugarcreek Station, a new nonprofit subsidiary of a regional health system. The sale was in the form of a lease-purchase agreement that called for \$50,000 to be paid at closing and monthly installments of \$45,000 each to be paid over the ensuing 18 years. The agreement includes a \$2 million bargain purchase payment at the end of 18 years. Management believes this option will be exercised and title will pass.

The following is a schedule of future minimum lease payments under the lease purchase agreement, together with the net present value of the minimum lease payments as of December 31, 2012:

2013	\$ 540,000
2014	540,000
2015	540,000
2016	<u>2,000,000</u>
Future minimum lease payment for lease purchase agreement	3,620,000
Discounted to present value	<u>(390,335)</u>
Present value of minimum lease payments	<u>\$ 3,229,665</u>

11. COMMITMENTS AND CONTINGENCIES

The County participates in both state and federally assisted grant programs. These grant programs are subject to program compliance audits by the grantors or their representatives. The County is potentially liable for any expenditure which may be disallowed pursuant to the

COUNTY OF VENANGO, PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

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terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

The County has been named in other cases and complaints. There are numerous matters involving prisoners at the Venango County Jail and various items that have occurred in the normal course of business. These matters are currently being reviewed by the County, as well as the County's insurance carrier and legal counsel. No determination as to the likelihood of loss or the range of loss can be determined at this time; therefore, no loss provisions have been included in the accompanying financial statements.

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. There have been no significant changes in insurance coverage since the prior year. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

12. SUBSEQUENT EVENTS

In 2013, the County purchased a former elementary school and made subsequent renovations to the school, which totaled approximately \$387,000.

Millage rates increased from 5.565 mils to 6.000 mils for 2013.

**Required Supplementary
Information**

COUNTY OF VENANGO, PENNSYLVANIA

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Excess of assets over (under) AAL	Funded Ratio	Covered Payroll	Excess of AAL as a Percentage of Covered Payroll
1/1/2008	\$ 43,941,134	\$ 31,917,041	\$ 12,024,093	137.7%	\$ 9,812,458	122.5%
1/1/2009	40,701,087	33,770,166	6,930,921	120.5%	10,656,036	65.0%
1/1/2010	35,810,829	35,523,755	287,074	100.8%	11,175,917	2.6%
1/1/2011	38,000,445	37,380,830	619,615	101.7%	11,580,781	5.4%
1/1/2012	39,566,240	39,955,732	(389,492)	99.0%	12,251,599	-3.2%

Note: Information in this schedule is calculated using the entry age actuarial cost method, implemented for the 1/1/2008 Actuarial Valuation.

See accompanying note to supplementary schedules.

COUNTY OF VENANGO, PENNSYLVANIA

SCHEDULE OF CONTRIBUTIONS FROM EMPLOYERS AND OTHER CONTRIBUTING ENTITIES

<u>Calendar Year</u>	<u>Annual Required Contributions</u>	<u>Percentage Contributed</u>
2007	\$ -	N/A
2008	-	N/A
2009	-	N/A
2010	480,564	100%
2011	484,077	100%
2012	649,335	106%

N/A = Not Applicable

See accompanying note to supplementary schedules.

COUNTY OF VENANGO, PENNSYLVANIA

NOTE TO SUPPLEMENTARY SCHEDULES

YEAR ENDED DECEMBER 31, 2012

The information presented in the required supplementary pension schedule was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Actuarial valuation date	1/1/2012
Actuarial cost method	Aggregate**
Asset valuation method	5-Year Smoothed Market
Actuarial assumptions:	
Investment rate of return*	7.5%
Projected salary increases*	4.5%
Cost of living adjustments	100% change in C.P.I.

* Includes inflation at 3%.

** The aggregate actuarial cost method is used to determine the annual required contribution for the Plan. Because this method does not identify or separately amortize unfunded actuarial liabilities, information about funded status is prepared using the entry age actuarial cost method and is intended to serve as a surrogate for the funded status of the Plan.

Supplementary Information

HUMAN SERVICES FUND

These accounts are used to account for the expenditure of a combination of revenues received from various federal, state, and County sources. These accounts are restricted for the provision of specified social services to eligible recipients. The Human Services Fund is comprised of the following accounts:

The **Area Agency on Aging** account is used to account for various funds received from and through the Pennsylvania Department of Aging to provide services to eligible older Pennsylvanians based on the local Area Plan.

The **Retired Senior Volunteer Program (RSVP)** account includes federal funds received from the Corporation for National and Community Service through the AAA sponsorship. These funds are used to help Americans age 55 or older find opportunities to address community needs through volunteer service. The RSVP locally is also supported in part by the Area Agency on Aging and community contributions.

The **Children and Youth Services** account is used to account for the proceeds of revenue received from various federal, state, and County sources. This revenue is restricted for the provision of specified social services to eligible children and youths within the County.

The **Substance Abuse** account is used for the control, prevention, intervention, treatment, rehabilitation, research, education, and training aspects of drug and alcohol abuse and dependence problems. It is funded by various state, federal, and County funds.

The **Mental Health and Developmental Services** accounts are used to account for the proceeds of revenue received from various federal, state, and county sources. The account is restricted for the provision of specified social services provided to eligible recipients with a mental health diagnosis or developmental services.

COUNTY OF VENANGO, PENNSYLVANIA

HUMAN SERVICES FUND COMBINING BALANCE SHEET

DECEMBER 31, 2012

	Area Agency on Aging	Retired Senior Volunteer Program	Children and Youth Services	Substance Abuse	Mental Health	Developmental Services	Total Human Services Fund
Assets							
Cash and cash equivalents	\$ 383,376	\$ 12,668	\$ 474,728	\$ 276,162	\$ (47,556)	\$ 1,450,197	\$ 2,549,575
Accounts receivable, net of allowance for uncollectibles	1,493	-	138,019	50,579	9,410	-	199,501
Due from other funds	13,625	-	18,927	6,750	9,523	10,894	59,719
Due from other governments	17,208	6,136	562,715	-	324,612	228,380	1,139,051
Other assets	-	-	9,161	-	30	106	9,297
Total Assets	\$ 415,702	\$ 18,804	\$ 1,203,550	\$ 333,491	\$ 296,019	\$ 1,689,577	\$ 3,957,143
Liabilities and Fund Balance							
Liabilities:							
Accounts payable	\$ 54,012	\$ 168	\$ 423,008	\$ 58,365	\$ 155,148	\$ 149,252	\$ 839,953
Accrued payroll	16,114	814	56,121	7,503	15,174	17,093	112,819
Due to other funds	77,500	-	341,188	39,880	89,662	151,028	699,258
Deferred revenue	268,076	479	358,281	19,295	36,035	1,372,204	2,054,370
Total Liabilities	415,702	1,461	1,178,598	125,043	296,019	1,689,577	3,706,400
Fund Balance:							
Nonspendable	-	-	-	-	-	-	-
Restricted:							
Human services	-	17,343	24,952	-	-	-	42,295
Assigned:							
Substance abuse	-	-	-	208,448	-	-	208,448
Unassigned	-	-	-	-	-	-	-
Total Fund Balance	-	17,343	24,952	208,448	-	-	250,743
Total Liabilities and Fund Balance	\$ 415,702	\$ 18,804	\$ 1,203,550	\$ 333,491	\$ 296,019	\$ 1,689,577	\$ 3,957,143

COUNTY OF VENANGO, PENNSYLVANIA

HUMAN SERVICES FUND

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED DECEMBER 31, 2012

	Area Agency on Aging	Retired Senior Volunteer Program	Children and Youth Services	Substance Abuse	Mental Health	Developmental Services	Total Human Services Fund
Revenues:							
Intergovernmental	\$ 1,798,613	\$ 46,031	\$ 6,106,469	\$ 763,223	\$ 2,550,338	\$ 2,209,007	\$ 13,473,681
Charges for services	-	-	175,896	100,127	-	-	276,023
Interest	-	35	111	1,121	715	4,388	6,370
Other	4,511	760	198,890	1,240	22,907	964	229,272
Total revenues	1,803,124	46,826	6,481,366	865,711	2,573,960	2,214,359	13,985,346
Expenditures:							
Human services	1,533,283	46,031	7,150,302	815,285	2,525,981	2,078,121	14,149,003
Excess (Deficiency) of Revenues Over Expenditures	269,841	795	(668,936)	50,426	47,979	136,238	(163,657)
Other Financing Sources (Uses):							
Sale of fixed assets	990	-	2,970	-	13,120	-	17,080
Transfers in	1,611	-	1,067,220	21,508	141,305	221,684	1,453,328
Transfers out	(272,442)	-	(401,155)	(58,001)	(202,404)	(357,922)	(1,291,924)
Total other financing sources (uses)	(269,841)	-	669,035	(36,493)	(47,979)	(136,238)	178,484
Net Change in Fund Balance	-	795	99	13,933	-	-	14,827
Fund Balance:							
Beginning of year	-	16,548	24,853	194,515	-	-	235,916
End of year	\$ -	\$ 17,343	\$ 24,952	\$ 208,448	\$ -	\$ -	\$ 250,743

COUNTY OF VENANGO, PENNSYLVANIA

**OTHER GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET**

DECEMBER 31, 2012

	Special Revenue Funds										
	Liquid Fuels	Affordable Housing Program	Airport	Hazardous Materials	911	Marcellus Legacy	Court Constable	Offender ID	Juvenile Court Restitution	County Records Improvement	Prothonotary Automation
Assets											
Cash and cash equivalents	\$ 691,516	\$ 140,113	\$ 425,505	\$ 37,486	\$ 388,318	\$ 52,487	\$ 154,211	\$ 236,599	\$ 8,538	\$ 26,226	\$ 27,786
Accounts receivable, net of allowance for uncollectibles	-	10,000	81,379	-	51,429	-	-	-	-	-	-
Due from other funds	-	2,752	-	-	-	-	884	5,586	202	1,126	275
Due from other governments	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	52,134	-	-	-	-	-	-	-	-
Total Assets	\$ 691,516	\$ 152,865	\$ 559,018	\$ 37,486	\$ 439,747	\$ 52,487	\$ 155,095	\$ 242,185	\$ 8,740	\$ 27,352	\$ 28,061
Liabilities and Fund Balance											
Liabilities:											
Accounts payable	\$ -	\$ -	\$ 128,973	\$ 443	\$ 30,281	\$ -	\$ 8,059	\$ -	\$ -	\$ 2,551	\$ 1,422
Accrued payroll	-	-	-	-	11,846	-	-	-	-	-	-
Due to other governments	6,320	-	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	375,945	-	-	-	-	-	-
Total Liabilities	6,320	-	128,973	443	418,072	-	8,059	-	-	2,551	1,422
Fund Balance:											
Restricted:											
Human services	-	-	-	-	-	-	-	-	-	-	-
Roads and bridges	685,196	-	-	-	-	-	-	-	-	-	-
Affordable housing	-	152,865	-	-	-	-	-	-	-	-	-
Airport operations	-	-	36,183	-	-	-	-	-	-	-	-
Hazardous materials	-	-	-	37,043	-	-	-	-	-	-	-
911	-	-	-	-	21,675	-	-	-	-	-	-
Act 13	-	-	-	-	-	52,487	-	-	-	-	-
Constable server fees	-	-	-	-	-	-	147,036	-	-	-	-
Offender identification	-	-	-	-	-	-	-	242,185	-	-	-
Juvenile court restitution	-	-	-	-	-	-	-	-	8,740	-	-
Records improvement/automation	-	-	-	-	-	-	-	-	-	24,801	26,639
Sugar Valley Lodge	-	-	-	-	-	-	-	-	-	-	-
Adoption counseling	-	-	-	-	-	-	-	-	-	-	-
Domestic Relations	-	-	-	-	-	-	-	-	-	-	-
Assigned:											
Airport operations	-	-	393,862	-	-	-	-	-	-	-	-
Community action	-	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-	-
Total Fund Balance	685,196	152,865	430,045	37,043	21,675	52,487	147,036	242,185	8,740	24,801	26,639
Total Liabilities and Fund Balance	\$ 691,516	\$ 152,865	\$ 559,018	\$ 37,486	\$ 439,747	\$ 52,487	\$ 155,095	\$ 242,185	\$ 8,740	\$ 27,352	\$ 28,061

(Continued)

OTHER GOVERNMENTAL FUNDS

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted, committed, or assigned for specified purposes other than debt services or capital projects. Following are the Special Revenue Funds used by the County:

The **Liquid Fuels Fund** accounts for state aid revenues used for the building and improving of roads and bridges through the County.

The **Affordable Housing Program Fund** accounts for the revenue and expenditures authorized by Act 137 of 1992 by the General Assembly of the Commonwealth of Pennsylvania for the purpose of providing housing services to low to moderate income families.

The **Airport Fund** accounts for the monies earned from the sale of fuel at the Venango County Airport and monies received from the state to fund major airport projects. The fund is also used to account for the activity related to the airshow held yearly at Venango County Airport.

The **Hazardous Materials Fund** accounts for monies received from companies who have hazardous waste removed from their premises. These funds are to be used in the event of a hazardous waste accident.

The **911 Fund** is used to account for money received from phone user charges and potential County contributions to operate the County's emergency communication systems, as well as grants received from the state for E-911 upgrades.

The **Marcellus Legacy Fund** is used to account for state revenue to be used per Act 13 of 2012 Impact Fee guidelines.

The **Court Constable Fund** accounts for fees imposed by the district justice offices and pays court and constable expenses consistent with the court order establishing the fund.

The **Offender ID Fund** accounts for fees imposed and offender identification charges consistent with the court order establishing the fund.

The **Juvenile Court Restitution Fund** accounts for fees imposed by the district justice offices and courts for all juvenile cases in the County. The money will be used for expenses relating to juvenile probation.

The **County Records Improvement Fund** is used to account for a recording fee surcharge. The money is to be expended based on the goal of standardizing and equalizing the capabilities of all County offices consistent with their need to receive, manage, and provide information to the public as efficiently as possible.

The **Prothonotary Automation Fund** is used to account for fee surcharges collected by the Prothonotary to be used solely for the purpose of automation and continued automation updates for the office.

The **Community Development Block Grant Fund** is used to account for the revenue and expenditures appropriated from the Housing and Community Act of 1974 for the purpose of improving water systems, sanitary sewer systems, storm sewers, housing rehabilitation, public/community facilities, streets and roads, and the removal of architectural barriers.

The **Community Services Block Grant Fund** accounts for federal funds used to provide housing, transportation, utility assistance, and other services to low income clients in Crawford and Venango County.

The **Office of Economic Opportunity – Supported Work Program Fund** accounts for federal funds used to provide supported work experience and other related activities to Crawford and Venango County residents.

The **Office of Economic Opportunity – Weatherization Fund** is used to account for weatherization services provided to eligible renters and homeowners, and services to alleviate non-fuel related heating emergencies.

The **Office of Economic Opportunity – Other Funds** are used to account for various activities providing services to County residents.

The **Transportation Fund** is used to account for the expenditure of a combination of federal, state, and County monies designated for the purpose of providing and improving public transportation throughout the County.

The **Special Purpose Gifts Fund** is used to account for the receipt of private grant funds that are restricted for use as determined by the grantee.

The **Adoption Counseling Fund** accounts for adoption filing fees and the cost of adoption counseling for individuals unable to pay for these services.

The **Domestic Relations Operation Fund** is used to account for expenditures and revenue related to the operation of the County's child support enforcement program, which is funded by federal, state, and County funds.

COUNTY OF VENANGO, PENNSYLVANIA

OTHER GOVERNMENTAL FUNDS COMBINING BALANCE SHEET (Continued)

YEAR ENDED DECEMBER 31, 2012

	Special Revenue Funds									Total Other Governmental Funds
	Community Development Block Grant	Community Services Block Grant	OEO - SWP	OEO - Weatherization	OEO - Other	Transportation	Special Purpose Gifts	Adoption Counseling	Domestic Relations Operation	
Assets										
Cash and cash equivalents	\$ (5,427)	\$ (56,024)	\$ (888)	\$ (5,398)	\$ 66,446	\$ 328,147	\$ 109,773	\$ 8,615	\$ 234,332	\$ 2,868,361
Accounts receivable, net of allowance for uncollectibles	-	-	56,379	1,501	6,530	34,032	-	-	92,958	334,208
Due from other funds	192	4,107	890	2,147	3,495	16,331	-	-	-	37,987
Due from other governments	101,432	113,810	-	14,275	7,115	220,554	-	-	-	457,186
Other assets	280	-	-	-	-	-	3,000	-	-	55,414
Total Assets	\$ 96,477	\$ 61,893	\$ 56,381	\$ 12,525	\$ 83,586	\$ 599,064	\$ 112,773	\$ 8,615	\$ 327,290	\$ 3,753,156
Liabilities and Fund Balance										
Liabilities:										
Accounts payable	\$ 94,745	\$ 8,208	\$ 5,930	\$ 470	\$ 15,377	\$ 44,976	\$ -	\$ -	\$ -	\$ 341,435
Accrued payroll	311	5,763	1,668	3,201	2,737	34,124	-	-	-	59,650
Due to other funds	1,421	14,210	5,683	7,812	9,235	32,679	-	-	-	71,040
Due to other governments	-	-	43,100	-	-	-	-	-	-	49,420
Deferred revenue	-	33,712	-	1,042	35,253	487,285	-	-	-	933,237
Total Liabilities	96,477	61,893	56,381	12,525	62,602	599,064	-	-	-	1,454,782
Fund Balance:										
Restricted:										
Human services	-	-	-	-	-	-	40,274	-	-	40,274
Roads and bridges	-	-	-	-	-	-	-	-	-	685,196
Affordable housing	-	-	-	-	-	-	-	-	-	152,865
Airport operations	-	-	-	-	-	-	-	-	-	36,183
Hazardous materials	-	-	-	-	-	-	-	-	-	37,043
911	-	-	-	-	-	-	-	-	-	21,675
Act 13	-	-	-	-	-	-	-	-	-	52,487
Constable server fees	-	-	-	-	-	-	-	-	-	147,036
Offender identification	-	-	-	-	-	-	-	-	-	242,185
Juvenile court restitution	-	-	-	-	-	-	-	-	-	8,740
Records improvement/automation	-	-	-	-	-	-	-	-	-	51,440
Sugar Valley Lodge	-	-	-	-	-	-	72,499	-	-	72,499
Adoption counseling	-	-	-	-	-	-	-	8,615	-	8,615
Domestic Relations	-	-	-	-	-	-	-	-	327,290	327,290
Assigned:										
Airport operations	-	-	-	-	-	-	-	-	-	393,862
Community action	-	-	-	-	20,984	-	-	-	-	20,984
Unassigned	-	-	-	-	-	-	-	-	-	-
Total Fund Balance	-	-	-	-	20,984	-	112,773	8,615	327,290	2,298,374
Total Liabilities and Fund Balance	\$ 96,477	\$ 61,893	\$ 56,381	\$ 12,525	\$ 83,586	\$ 599,064	\$ 112,773	\$ 8,615	\$ 327,290	\$ 3,753,156

COUNTY OF VENANGO, PENNSYLVANIA

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

YEAR ENDED DECEMBER 31, 2012

	Special Revenue Funds										
	Liquid Fuels	Affordable Housing Program	Airport	Hazardous Materials	911	Marcellus Legacy	Court Constable	Offender ID	Juvenile Court Restitution	County Records Improvement	Prothonotary Automation
Revenues:											
Intergovernmental	\$ 510,596	\$ -	\$ 187,226	\$ 7,814	\$ 292,742	\$ 55,474	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	37,081	600,604	35,137	441,091	-	69,189	83,679	3,145	16,342	7,518
Interest	2,311	484	1,339	112	1,374	13	512	654	22	161	106
Other	-	-	-	-	-	-	-	-	-	-	-
Total revenues	512,907	37,565	789,169	43,063	735,207	55,487	69,701	84,333	3,167	16,503	7,624
Expenditures:											
General government - administration	-	-	-	-	-	-	-	-	-	40,028	4,036
General government - judicial	-	-	-	-	-	-	53,929	11,869	-	-	-
Public safety	-	-	-	36,899	823,656	-	-	-	-	-	-
Public works	575,106	-	813,912	-	-	-	-	-	-	-	-
Human services	-	45,958	-	-	-	-	-	-	-	-	-
Conservation and development	-	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	575,106	45,958	813,912	36,899	823,656	-	53,929	11,869	-	40,028	4,036
Excess (Deficiency) of Revenues Over Expenditures	(62,199)	(8,393)	(24,743)	6,164	(88,449)	55,487	15,772	72,464	3,167	(23,525)	3,588
Other Financing Sources (Uses):											
Sale of fixed assets	-	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	384,699	-	-	-	-	-	-
Transfers out	(8,821)	(17,842)	(31,569)	-	(294,008)	(3,000)	(17,261)	(3,915)	-	(6,668)	(6,833)
Total other financing sources (uses)	(8,821)	(17,842)	(31,569)	-	90,691	(3,000)	(17,261)	(3,915)	-	(6,668)	(6,833)
Net Change in Fund Balance	(71,020)	(26,235)	(56,312)	6,164	2,242	52,487	(1,489)	68,549	3,167	(30,193)	(3,245)
Fund Balance:											
Beginning of year	756,216	179,100	486,357	30,879	19,433	-	148,525	173,636	5,573	54,994	29,884
End of year	<u>\$ 685,196</u>	<u>\$ 152,865</u>	<u>\$ 430,045</u>	<u>\$ 37,043</u>	<u>\$ 21,675</u>	<u>\$ 52,487</u>	<u>\$ 147,036</u>	<u>\$ 242,185</u>	<u>\$ 8,740</u>	<u>\$ 24,801</u>	<u>\$ 26,639</u>

(Continued)

COUNTY OF VENANGO, PENNSYLVANIA

OTHER GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (Continued)

YEAR ENDED DECEMBER 31, 2012

	Special Revenue Funds								Total Other Governmental Funds	
	Community Development Block Grant	Community Services Block Grant	OEO - SWP	OEO - Weatherization	OEO - Other	Transportation	Special Purpose Gifts	Adoption Counseling		Domestic Relations Operation
Revenues:										
Intergovernmental	\$ 322,170	\$ 327,455	\$ 128,149	\$ 78,772	\$ 138,088	\$ 1,526,039	\$ -	\$ -	\$ -	\$ 3,574,525
Charges for services	-	-	-	-	56,091	44,824	-	375	441,915	1,836,991
Interest	-	-	91	-	94	1,533	11,348	27	784	20,965
Other	-	-	-	-	28,210	-	-	-	3,041	31,251
Total revenues	322,170	327,455	128,240	78,772	222,483	1,572,396	11,348	402	445,740	5,463,732
Expenditures:										
General government - administration	-	-	-	-	-	-	-	-	-	44,064
General government - judicial	-	-	-	-	-	-	-	-	464,178	529,976
Public safety	-	-	-	-	-	-	-	-	-	860,555
Public works	-	-	-	-	-	-	-	-	-	1,389,018
Human services	-	244,231	121,082	67,094	163,798	1,798,332	-	-	-	2,440,495
Conservation and development	333,433	-	-	-	-	-	-	-	-	333,433
Capital outlay	-	-	-	-	-	-	-	-	-	-
Total expenditures	333,433	244,231	121,082	67,094	163,798	1,798,332	-	-	464,178	5,597,541
Excess (Deficiency) of Revenues Over Expenditures	(11,263)	83,224	7,158	11,678	58,685	(225,936)	11,348	402	(18,438)	(133,809)
Other Financing Sources (Uses):										
Sale of fixed assets	-	-	-	-	-	630	-	-	-	630
Transfers in	17,842	-	-	3,046	5,984	342,924	-	-	118,087	872,582
Transfers out	(6,579)	(83,224)	(7,158)	(14,724)	(43,685)	(117,618)	-	-	-	(662,905)
Total other financing sources (uses)	11,263	(83,224)	(7,158)	(11,678)	(37,701)	225,936	-	-	118,087	210,307
Net Change in Fund Balance	-	-	-	-	20,984	-	11,348	402	99,649	76,498
Fund Balance:										
Beginning of year	-	-	-	-	-	-	101,425	8,213	227,641	2,221,876
End of year	\$ -	\$ -	\$ -	\$ -	\$ 20,984	\$ -	\$ 112,773	\$ 8,615	\$ 327,290	\$ 2,298,374

(Concluded)

TRANSPORTATION FUND

The Transportation Funds are used to account for the expenditure of a combination of federal, state, and County monies designated for the purpose of providing and improving public transportation throughout the County, including the Shared Ride, Medical Assistance Transportation Program, Fixed Route, Capital Transit, Rural Operating Assistance, and Act 26 Shared Ride Capital programs.

COUNTY OF VENANGO, PENNSYLVANIA

TRANSPORTATION FUND COMBINING BALANCE SHEET

DECEMBER 31, 2012

	Shared Ride	Medical Assistance Transportation Program	Fixed Route	Capital Transit	Rural Operating Assistance	Act 26 Shared Ride Capital	Total Transportation Fund
Assets							
Cash and cash equivalents	\$ (5,616)	\$ 52,024	\$ 20,865	\$ 14,750	\$ 240,505	\$ 5,619	\$ 328,147
Accounts receivable, net of allowance for uncollectibles	34,032	-	-	-	-	-	34,032
Due from other funds	7,058	2,858	6,415	-	-	-	16,331
Due from other governments	24,915	195,639	-	-	-	-	220,554
Total Assets	\$ 60,389	\$ 250,521	\$ 27,280	\$ 14,750	\$ 240,505	\$ 5,619	\$ 599,064
Liabilities and Fund Balance							
Liabilities:							
Accounts payable	\$ 14,150	\$ 5,289	\$ 10,787	\$ 14,750	\$ -	\$ -	\$ 44,976
Accrued payroll	16,658	5,946	11,520	-	-	-	34,124
Due to other funds	4,973	22,733	4,973	-	-	-	32,679
Deferred revenue	24,608	216,553	-	-	240,505	5,619	487,285
Total Liabilities	60,389	250,521	27,280	14,750	240,505	5,619	599,064
Fund Balance:							
Unassigned	-	-	-	-	-	-	-
Total Liabilities and Fund Balance	\$ 60,389	\$ 250,521	\$ 27,280	\$ 14,750	\$ 240,505	\$ 5,619	\$ 599,064

COUNTY OF VENANGO, PENNSYLVANIA

TRANSPORTATION FUND

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED DECEMBER 31, 2012

	Shared Ride	Medical Assistance Transportation Program	Fixed Route	Capital Transit	Rural Operating Assistance	Act 26 Shared Ride Capital	Eliminations	Total Transportation Fund
Revenues:								
Intergovernmental	\$ 289,706	\$ 852,160	\$ -	\$ 66,465	\$ 317,708	\$ -	\$ -	1,526,039
Charges for services	144	-	44,680	-	-	-	-	44,824
Interest	-	-	-	114	1,419	-	-	1,533
Total revenues	289,850	852,160	44,680	66,579	319,127	-	-	1,572,396
Expenditures:								
Human services	697,561	640,598	393,353	66,820	-	-	-	1,798,332
Total expenditures	697,561	640,598	393,353	66,820	-	-	-	1,798,332
Excess (Deficiency) of Revenues Over Expenditures	(407,711)	211,562	(348,673)	(241)	319,127	-	-	(225,936)
Other Financing Sources (Uses):								
Sale of fixed assets	630	-	-	-	-	-	-	630
Transfers in	472,913	1,923	373,735	241	20,500	-	(526,388)	342,924
Transfers out	(65,832)	(213,485)	(25,062)	-	(339,627)	-	526,388	(117,618)
Total other financing sources (uses)	407,711	(211,562)	348,673	241	(319,127)	-	-	225,936
Net Change in Fund Balance	-	-	-	-	-	-	-	-
Fund Balance:								
Beginning of year	-	-	-	-	-	-	-	-
End of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

AGENCY FUNDS

Agency Funds are custodial in nature and do not involve measurement of results of operations. Agency Funds are used to account for cash collected by elected row officers (Treasurer, Sheriff, Register of Wills and Recorder of Deeds, and Prothonotary and Clerk of Courts) and other County offices that are subsequently disbursed to the County, other governments, or individuals for whom it was collected.

COUNTY OF VENANGO, PENNSYLVANIA

ALL AGENCY FUNDS COMBINING BALANCE SHEET

DECEMBER 31, 2012

	Treasurer	Register of Wills and Recorder of Deeds	Prothonotary and Clerk of Courts	Sheriff	Prison	Domestic Relations	Total
Assets							
Cash and cash equivalents	\$ 2,618	\$ 224,013	\$ 217,231	\$ 195,048	\$ 38,415	\$ 5,631	\$ 682,956
Accounts receivable and fines, at estimated realizable value	-	-	366,788	-	-	-	366,788
Total Assets	\$ 2,618	\$ 224,013	\$ 584,019	\$ 195,048	\$ 38,415	\$ 5,631	\$ 1,049,744
Liabilities							
Due to other funds	\$ 665	\$ 114,945	\$ 416,021	\$ 8,891	-	-	\$ 540,522
Due to other governments	1,953	105,088	14,366	860	-	-	122,267
Escrow liability and interest	-	3,980	153,632	185,297	38,415	5,631	386,955
Total Liabilities	\$ 2,618	\$ 224,013	\$ 584,019	\$ 195,048	\$ 38,415	\$ 5,631	\$ 1,049,744

COUNTY OF VENANGO, PENNSYLVANIA

ALL AGENCY FUNDS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

YEAR ENDED DECEMBER 31, 2012

	Balance at January 1, 2012	Additions	Deletions	Balance at December 31, 2012
Treasurer				
Assets				
Cash and cash equivalents	\$ 6,531	\$ 158,755	\$ 162,668	\$ 2,618
Liabilities				
Due to other funds	\$ 79	\$ 23,994	\$ 23,408	\$ 665
Due to other governments	6,452	133,948	138,447	1,953
Escrow liability and interest	-	813	813	-
Total Liabilities	\$ 6,531	\$ 158,755	\$ 162,668	\$ 2,618
Register of Wills and Recorder of Deeds				
Assets				
Cash and cash equivalents	\$ 297,678	\$ 1,102,309	\$ 1,175,974	\$ 224,013
Liabilities				
Due to other funds	\$ 180,448	\$ 450,712	\$ 516,215	\$ 114,945
Due to other governments	117,057	643,887	655,856	105,088
Escrow liability and interest	173	7,710	3,903	3,980
Total Liabilities	\$ 297,678	\$ 1,102,309	\$ 1,175,974	\$ 224,013
Prothonotary and Clerk of Courts				
Assets				
Cash and cash equivalents	\$ 209,157	\$ 1,510,934	\$ 1,502,860	\$ 217,231
Accounts receivable and fines, at estimated realizable value	353,110	505,914	492,236	366,788
Total Assets	\$ 562,267	\$ 2,016,848	\$ 1,995,096	\$ 584,019
Liabilities				
Due to other funds	\$ 458,127	\$ 505,914	\$ 548,020	\$ 416,021
Due to other governments	18,166	242,320	246,120	14,366
Escrow liability and interest	85,974	1,268,614	1,200,956	153,632
Total Liabilities	\$ 562,267	\$ 2,016,848	\$ 1,995,096	\$ 584,019

(Continued)

COUNTY OF VENANGO, PENNSYLVANIA

ALL AGENCY FUNDS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

YEAR ENDED DECEMBER 31, 2012

(Continued)

	Balance at January 1, 2012	Additions	Deletions	Balance at December 31, 2012
Sheriff				
Assets				
Cash and cash equivalents	\$ 52,432	\$ 419,244	\$ 276,628	\$ 195,048
Liabilities				
Due to other funds	\$ 5,487	\$ 84,047	\$ 80,643	\$ 8,891
Due to other governments	4,110	3,350	6,600	860
Escrow liability and interest	42,835	331,847	189,385	185,297
Total Liabilities	\$ 52,432	\$ 419,244	\$ 276,628	\$ 195,048
Prison				
Assets				
Cash and cash equivalents	\$ 19,461	\$ 267,827	\$ 248,873	\$ 38,415
Liabilities				
Escrow liability and interest	\$ 19,461	\$ 267,827	\$ 248,873	\$ 38,415
Domestic Relations				
Assets				
Cash and cash equivalents	\$ 8,071	\$ 445,015	\$ 447,455	\$ 5,631
Liabilities				
Escrow liability and interest	\$ 8,071	\$ 445,015	\$ 447,455	\$ 5,631

(Continued)

COUNTY OF VENANGO, PENNSYLVANIA

ALL AGENCY FUNDS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

YEAR ENDED DECEMBER 31, 2012

(Continued)

	Balance at January 1, 2012	Additions	Deletions	Balance at December 31, 2012
Total all Agency Funds				
Assets				
Cash and cash equivalents	\$ 593,330	\$ 3,904,084	\$ 3,814,458	\$ 682,956
Accounts receivable and fines, at estimated realizable value	353,110	505,914	492,236	366,788
Total Assets	\$ 946,440	\$ 4,409,998	\$ 4,306,694	\$ 1,049,744
Liabilities				
Due to other funds	\$ 644,141	\$ 1,064,667	\$ 1,168,286	\$ 540,522
Due to other governments	145,785	1,023,505	1,047,023	122,267
Escrow liability and interest	156,514	2,321,826	2,091,385	386,955
Total Liabilities	\$ 946,440	\$ 4,409,998	\$ 4,306,694	\$ 1,049,744

(Concluded)