

County of Centre



PENNSYLVANIA

**2007
Comprehensive
Annual
Financial
Report**

For the year ended December 31, 2007

Prepared by the Office of the Controller
Charles L. Witmer, Controller

TABLE OF CONTENTS

	PAGE
INTRODUCTORY SECTION	
TRANSMITTAL LETTER	5
MISSION STATEMENT	10
GFOA CERTIFICATE OF ACHIEVEMENT	11
ORGANIZATIONAL CHART	12
PRINCIPAL OFFICIALS	13
COUNTY OF CENTRE – MAP	14
FINANCIAL SECTION	
INDEPENDENT AUDITORS' REPORT	15
MANAGEMENT DISCUSSION AND ANALYSIS.....	17
BASIC FINANCIAL STATEMENTS:	
GOVERNMENT-WIDE FINANCIAL STATEMENTS:	
STATEMENT OF NET ASSETS.....	31
STATEMENT OF ACTIVITIES	32
FUND FINANCIAL STATEMENTS:	
BALANCE SHEET – GOVERNMENTAL FUNDS.....	33
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS	34
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	35
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES BUDGET-TO-ACTUAL COMPARISON, GENERAL FUND	36
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES BUDGET-TO-ACTUAL, MAJOR GOVERNMENTAL SPECIAL REVENUE FUNDS	37

	PAGE
STATEMENT OF NET ASSETS – PROPRIETARY FUNDS	38
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS – PROPRIETARY FUNDS	39
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS	40
STATEMENT OF FIDUCIARY NET ASSETS	41
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS – EMPLOYEE RETIREMENT AND PRIVATE PURPOSE TRUST FUNDS	42
NOTES TO FINANCIAL STATEMENTS	43

SUPPLEMENTARY INFORMATION

COMBINING STATEMENTS:

GOVERNMENTAL FUND TYPES:

DESCRIPTION OF MAJOR FUNDS	75
SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (GAAP BASIS) – GENERAL FUND	76
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET-TO-ACTUAL COMPARISON – MAJOR GOVERNMENTAL FUNDS	78
DESCRIPTION OF NON-MAJOR GOVERNMENTAL FUNDS	79
COMBINING BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS.....	80
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – NON-MAJOR GOVERNMENTAL FUNDS.....	81
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET-TO-ACTUAL COMPARISON – NON-MAJOR GOVERNMENTAL FUNDS	82

INTERNAL SERVICE FUNDS:

DESCRIPTION OF FUNDS.....	85
COMBINING BALANCE SHEET.....	86
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSET.....	87

	PAGE
COMBINING STATEMENT OF CASH FLOWS.....	88
FIDUCIARY FUND TYPES:	
DESCRIPTION OF FUNDS.....	89
COMBINING BALANCE SHEET – ALL AGENCY FUNDS.....	90
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES– ALL AGENCY FUNDS	91
COMPONENT UNITS - INDIVIDUAL FUND STATEMENTS:	
DESCRIPTION OF COMPONENT UNITS	95
STATEMENT OF NET ASSETS.....	96
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – CONSERVATION DISTRICT	97
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS-SOLID WASTE AUTHORITY	98
STATEMENT OF CASH FLOWS - SOLID WASTE AUTHORITY.....	99
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY	101
STATISTICAL SECTION	
INTRODUCTION.....	103
NET ASSETS BY COMPONENT, GOVERNMENT-WIDE	104
CHANGES IN NET ASSETS, GOVERNMENT-WIDE.....	105
FUNDS BALANCES, GOVERNMENTAL FUNDS.....	107
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS.....	108
ASSESSED AND ACTUAL VALUE OF TAXABLE REAL ESTATE	109
REAL ESTATE MILLAGE RATES – DIRECT AND OVERLAPPING GOVERNMENTS	110
PRINCIPAL REAL ESTATE TAXPAYERS.....	111
REAL ESTATE TAX LEVIES AND COLLECTIONS.....	112

	PAGE
RATIOS OF GENERAL BONDED DEBT OUTSTANDING	113
DIRECT AND OVERLAPPING DEBT.....	114
COMPUTATION OF LEGAL DEBT MARGIN.....	115
DEMOGRAPHIC AND ECONOMIC STATISTICS.....	116
PRINCIPAL EMPLOYERS	117
COUNTY EMPLOYEES BY FUNCTION	118
OPERATING INDICATORS BY FUNCTION.....	119
CAPITAL ASSET STATISTICS BY ACTIVITIES.....	120
SALARIES AND SURETY BONDS OF ELECTED OFFICIALS	121
RETIREMENT FUND REVENUES AND EXPENSES.....	122
EMPLOYEES RETIREMENT TRUST, SELECTED DATA	123



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June 16, 2008

To the Citizens of the County of Centre, Pennsylvania:

I am pleased to present the Comprehensive Annual Financial Report (CAFR) for the County of Centre for the year ended December 31, 2007. This report consists of the County management's representations concerning the finances of Centre County Government. The County assumes full responsibility for the completeness and fairness of all the information presented in this report. To provide the basis for making these representations, the management of the County has established a comprehensive internal control framework that is designed both to protect the County's assets from loss, theft, or misuse and to compile reliable information for the preparation of the Centre County Government's financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP). Because the cost of internal controls should not outweigh their benefits, the County's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. To the best of management's knowledge and belief, this financial report is complete and reliable in all material respects.

This CAFR was prepared by the Controller's Office and the financial statements were audited by the independent certified public accounting firm of Parente Randolph, LLC, whose opinion accompanies the financial statements contained in the Financial Section of this report. The goal of the independent audit was to provide reasonable assurance that the County's financial statements are free of material misstatement. The audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the County's financial statements for the year ended December 31, 2007, are fairly presented in conformity with GAAP.

The independent audit of the financial statements was part of a broader, federally mandated "Single Audit" designed to meet special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the County's internal controls and compliance with legal requirements, with special emphasis on the administration of federal grant awards. These reports are available in the County's separately issued Single Audit Report.

The County is subject to Governmental Accounting Standards Board (GASB) Statement 34 (GASB-34). GASB-34 is a reporting model designed to provide the primary users of the government's financial statements—legislators, creditors and citizens—with information that will help them assess accountability, stability, and plan for the future. This CAFR presents "government-wide" financial statements, designed to provide an economic (long-term) focus on its net assets and activities, similar to full-accrual accounting and reporting found in the commercial sector. GASB 34 requires the County to continue presenting the traditional fund accounting statements, which will remain on a spendable financial resources (short-term) focus.

The MD&A is a narrative introduction, overview, and analysis of the accompanying basic financial statements. This letter of transmittal is designed to complement the MD&A. The MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE GOVERNMENT

Centre County, a fifth class county, was created by an act of the State Legislature in February 1800, and is located at the exact geographic center of Pennsylvania. A three member Board of County Commissioners performs all of the County's legislative and executive functions. The Controller is elected as the County's Chief Financial Officer and supervises the fiscal affairs of the County. The Treasurer is elected to receive all monies due or accruing to the County, including the deposit and investing of surplus funds. The Court of Common Pleas is part of the Unified Judicial System provided by the Pennsylvania Constitution. Court related row offices include the Coroner, Prothonotary/Clerk of Courts, District Attorney, Recorder of Deeds, Register of Wills, Sheriff, and two Jury Commissioners.

Consistent with budgetary constraints and Pennsylvania County Code, the County Board of Commissioners decides the best means of providing a variety of services. The County provides a broad range of services including judicial, public safety, corrections, public works, human services, culture and recreation, conservation and development, elections, and the County nursing home.

This CAFR includes all funds of Centre County as well as all of its component units. The Centre County Conservation District and the Centre County Solid Waste Authority are reported as discretely presented component units. Component units are legally separate entities for which Centre County is financially accountable. Discretely presented component units are reported in a separate column in the combined financial statements in order to emphasize that they are legally separate from the County and to show their financial position, results of operation and cash flows.

INFORMATION USEFUL IN ASSESSING THE COUNTY'S ECONOMIC CONDITION

Local economy. Centre County is home to one of the nation's largest universities, The Pennsylvania State University ("Penn State"). Penn State has over forty thousand students at its main campus located in Centre County. The County's key industries include tourism, retail, agriculture, electronics, chromatography, information technology, printing and publishing, wood manufacturing, and education.

Long-term financial planning. The County allocated \$1.8 million of unreserved fund balance to finance the development of a countywide fire and emergency training facility. The Centre Region Council of Governments (COG) contributed \$330,000, the Columbia Gas Company donated \$4,000, Spring Township contributed \$500,000 and the Pennsylvania Department of Economic Development granted \$1.75 million toward the project. Construction of the new facility began in 2006. Including the acquisition cost of land of \$479,163, the total project cost incurred through December 31, 2007 was \$4.6 million.

The County's Comprehensive Plan, Phase I includes an historical background of Centre County, a current profile, and will serve as a blueprint for the next ten to twenty years. Phase II will focus on growth management and development strategies in the County. Consistent with the Comprehensive Plan, the Board of Commissioners initiated an Affordable Housing Needs Assessment to identify the County's critical housing needs and to provide information that can be used to address those needs within the County over the next ten years.

Passed in 1992, Pennsylvania Law (Act 137) allows counties to establish an *Affordable Housing Fund* to collect fees through its Recorder of Deeds (ROD) offices to support affordable housing projects. In 1993, the Commissioners adopted an ordinance to enact Act 137 and to create a Centre County Affordable Housing Fund. On average, \$150,000 is collected annually by the ROD on behalf of the Fund. In 1996, the County implemented the First Time Home Buyer Program. The program provides down-payment loans (the lesser of \$10,000 or 10% of the purchase price) to qualified county residences. The amount provided is a zero percent-deferred loan, secured by a second mortgage.

Cash management policies and practices.

Centre County's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, deposits were either insured by federal depository insurance or collateralized in accordance with Commonwealth of Pennsylvania Act 72, which requires the institution to pool collateral for all government deposits and have the collateral held by an approved custodian in the institution's name. The County's temporary excess cash was held in interest-bearing demand deposits, money market accounts, or in certificates of deposit. Unrestricted interest earnings of the County's governmental activities were \$1,236,297, a decrease of 6 percent from the previous year.

Risk management. The County participates in public entity risk pools for its general insurance and unemployment compensation coverage. The Pennsylvania Counties Risk Pool ("PCoRP"), a public entity risk pool of the County Commissioners Association of Pennsylvania ("CCAP") provides the County's general insurance coverage. The Unemployment Compensation Trust ("UC Trust"), a second public entity risk pool administered by CCAP, provides the County's unemployment compensation coverage. Both arrangements require that the County pay an annual premium. The County carries commercial insurance for all other risks of loss, including health care and workers compensation. Settled claims from these risks did not exceed commercial insurance coverage in any of the past three years. The County has developed a risk management function to develop and implement loss control techniques, monitor claims, and protect County assets. It uses various risk control techniques, including employee safety and accident prevention training, to minimize accident-related losses.

Pension benefits. The County sponsors a single-employer defined benefit pension plan for its full-time employees. Each year, an independent actuary calculates the amount of the annual contribution that the County must make to ensure that the plan will be able to meet its obligations to retired employees. As a matter of policy, the County fully funds each year's annual required contribution.

Internal audits. The Controller's internal audit function conducts financial and compliance audits of County departments, agencies, row offices, and grant-funded programs to ensure that the County government is efficient, effective, and compliant. The function issued 17 audit, reviews, and special reports during 2007.

AWARDS AND ACKNOWLEDGEMENTS

Certificate Of Achievement For Excellence In Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Centre for its comprehensive annual financial report (CAFR) for the year ended December 31, 2006. This is the sixth consecutive year the County has received this certificate. The Certificate of Achievement is a prestigious international award that recognizes conformance with the highest standards for preparation of state and local government financial reports. To be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such a CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current CAFR conforms to the Certificate of Achievement program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Award For Distinguished Budget Presentation

For the eighth consecutive year, the County of Centre received GFOA's Award for Distinguished Budget Presentation for its 2007 appropriation budget. The Board of Commissioners' staff prepares the budget document.

Acknowledgements

This report provides an all-inclusive picture of the financial position of the County. To strengthen our financial position during the year covered, County officials have undertaken a unified effort to improve management and organizational effectiveness, administrative and operating systems, and productivity. The County continues to follow prudent fiscal policies and management programs in order to provide vital government services to its citizens.

The preparation of this CAFR on a timely basis could not have been accomplished without the efficient and dedicated services of the staff of the Controller's Office. I would like to express my sincere thanks and appreciation to the staff and to all members of the departments who assisted and contributed to its preparation. I would also like to thank the Board of Commissioners and their staff for their interest and support in planning and conducting the financial operations of the County in a responsible and progressive manner.

Respectfully submitted,



Charles L. Witmer
Controller

County of Centre



Mission

Centre County Government

The business of Centre County Government is to provide high quality services to county residents in an efficient and cost effective manner. Citizens have repeatedly said that maintaining the quality of life in Centre County needs to be a top priority. The services provided by county government, as well as by municipalities and school districts, are an important component of the quality of life in Centre County.

Controller's Office

The mission of the Centre County Controller's Office is to improve the quality of life of the citizens of Centre County. We accomplish our mission by helping the various County departments, offices and agencies successfully administer the financial resources within their control.

Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Centre Pennsylvania

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Oliver S. Cox

President

Jeffrey R. Emery

Executive Director

CENTRE COUNTY GOVERNMENT ORGANIZATION CHART



