



Zelenkofske Axelrod LLC

A Certified Public Accounting and Auditing Firm

BOROUGH OF CLARION
CLARION, PENNSYLVANIA
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011

BOROUGH OF CLARION
YEAR ENDED DECEMBER 31, 2011

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Zelenkofske Axelrod LLC

INDEPENDENT AUDITORS' REPORT

Borough Council
Borough of Clarion
Clarion, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the BOROUGH OF CLARION as of and for the year ended December 31, 2011, which collectively comprise the BOROUGH OF CLARION's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the BOROUGH OF CLARION's management. 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 of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1 to the financial statements, in 2011 the BOROUGH OF CLARION adopted the provisions of Governmental Accounting Standards Board's Statements No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" and No. 59, "Financial Instruments Omnibus."

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 BOROUGH OF CLARION as of December 31, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of employer contributions and funding progress and budgetary comparison information on pages 3 through 13 and pages 44 through 50 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.

| <u>Harrisburg</u> | <u>Lehigh Valley</u> | <u>Philadelphia</u> | <u>Pittsburgh</u> |
|--|--|---|---|
| 830 Sir Thomas Court, Suite 100 Harrisburg, PA 17109 717.561.9200 Fax 717.561.9202 | 1101 West Hamilton Street Allentown, PA 18101-1043 610.871.5077 Fax 717.561.9202 | 2370 York Road, Suite A-5 Jamison, PA 18929 215.918.2277 Fax 215.918.2302 | 3800 McKnight E. Drive, Suite 3805 Pittsburgh, PA 15237 412.367.7102 Fax 412.367.7103 |

Zelenkofske Axelrod LLC

Borough Council
Borough of Clarion
Page 2

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the BOROUGH OF CLARION's financial statements as a whole. The combining non-major fund financial statements on pages 52 through 53 are presented for purposes of additional analysis and are not a required part of the financial statements. The combining non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Zelenkofske Axelrod LLC

ZELENKOFKSKE AXELROD LLC

Pittsburgh, Pennsylvania
April 9, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the financial statements for the Borough of Clarion ("Borough") presents a narrative overview and narrative of the Borough's financial performance for the fiscal year ended December 31, 2011. Prior year comparative information is presented.

FINANCIAL HIGHLIGHTS

- The Borough's total net assets at the end of 2011 were \$3,622,617.
- The General Fund unassigned Fund Balance was \$275,592 at the end of 2011.
- Total Governmental Funds Revenues of \$2,591,169 were collected in 2011, of which \$2,080,576 was expended for Public Safety and Public Works.

OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists of the following four parts:

- Management's discussion and analysis (this section)
- Basic financial statements (including notes)
- Required supplementary information
- Other supplemental information

Management's discussion and analysis is a guide to reading the financial statements and provides related information to help the reader to better understand the Borough's government. The basic financial statements include notes that provide additional information essential to a full understanding of the financial data provided in the government-wide and fund financial statements. Required supplementary information is provided on the Borough's Police Pension and General Employees Pension Trust Funds and budget to actual figures for the General Fund, the Recreation Fund, the Recycling Fund, Fire Company Fund and the Liquid Fuels Fund.

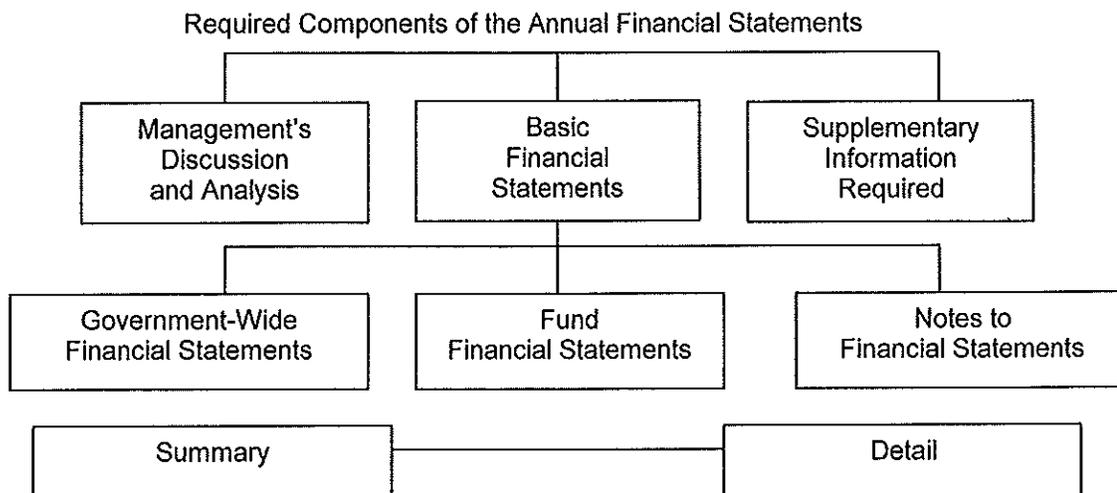
The basic financial statements present two different views of the Borough.

- *Government-wide financial statements*, the first two statements, provide information about the Borough's overall financial status.
- *Fund financial statements*, the remaining statements, focus on individual parts of the Borough's government. They provide more detail on operations than the government-wide statements. There are two types of fund financial statements:
 - *Governmental funds statements* show how general government services such as public safety, public works for highways and streets, and health and welfare were financed in the short term, as well as what remains for future spending.
 - *Fiduciary funds statements* reflect activities involving resources that are held by the Borough as a trustee or agent for the benefit of others, including employees of the Borough like the Police Pension Trust Fund. Fiduciary funds are not reflected in the government-wide statements because the resources cannot be used to support the Borough's programs.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Table A-1 shows how the various parts of this annual report are arranged and related to one another.

Table A-1: Organization of the Borough's Annual Financial Report



MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Table A-2 summarizes the major features of the Borough's financial statements, including the area of the Borough's activities they cover and the types of information they contain.

Table A-2: Major Features of the Government-Wide and Fund Financial Statements

| | Government-wide Statements | Fund Financial Statements | |
|---|--|---|---|
| | | Governmental | Fiduciary |
| Scope | Entire entity (except fiduciary funds) | The day-to-day operating activities of the Borough, such as public safety and public works | Instances in which the Borough administers resources on behalf of others, such as the Police Pension Fund |
| Required Financial Statements | -Statement of net assets -Statement of activities | -Balance Sheet -Statement of revenues, expenditures and changes in fund balance | -Statement of fiduciary net assets -Statement of changes in fiduciary net assets |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources measurement focus | Accrual accounting and economic resources focus |
| Type of asset and liability information | All assets and liabilities, both financial and capital, short-term and long-term | Current assets and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included | All assets and liabilities, both financial and capital short-term and long-term; funds do not currently contain capital assets, although they can |
| Type of inflow and outflow information | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services and have been received and the related liability is due and payable | All additions and deductions during the year, regardless of when cash is received or paid |

The remainder of this overview explains the structure and contents of the government-wide and fund financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**Government-Wide Financial Statements**

Government-wide financial statements report information about the Borough as a whole using accounting methods similar to those used by private-sector companies.

- The statement of net assets includes all the Borough's assets and liabilities, except fiduciary funds, with the difference between the two reported as net assets. This statement serves a purpose similar to that of the balance sheet of a private-sector business.
- The statement of activities focuses on how the Borough's net assets changed during the year. Because it separates program revenue (revenue generated by specific programs through charges for services, grants and contributions) from general revenue (revenue provided by taxes and other sources not tied to a particular program), it shows to what extent each program has to rely on local taxes for funding.

All changes to net assets are reported using the accrual method of accounting, which requires that revenues be reported when they are earned and expenses be reported when the goods and/or services are received, regardless of when cash is received or paid.

Net assets are one way to measure the Borough's financial position. Over time, increases or decreases in the Borough's net assets are one indicator of whether the Borough's financial position is improving or deteriorating. However, other non-financial factors such as changes in the Borough's real property tax base and general economic conditions must be considered to assess the overall position of the Borough.

There is only one type of category of activities for the primary government:

- *Governmental activities* include the Borough's basic services such as general government, public safety, public works for highways and streets, community development, health and welfare and culture and recreation. Property taxes and state and federal grants finance most of these activities.

Net assets of the governmental activities differ from the governmental fund balances because governmental fund level statements only report transactions using or providing current financial resources. Also, capital assets are reported as expenditures when financial resources (money) are expended to purchase or build said assets. Likewise, the financial resources that may have been borrowed are considered revenue when they are received. The principal and interest payments are both considered expenditures when paid. Depreciation is not calculated as it does not provide or reduce current financial resources. Finally, capital assets and long-term debt do not affect fund balances.

Government wide statements are reported using an economic resources measurement focus and full accrual basis of accounting that involves the following steps to format the statement of net assets:

- Capitalize current outlays for capital assets
- Report long-term debt as a liability
- Depreciate capital assets and allocate the depreciation to the proper program/activities

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

- Calculate revenue and expense using the economic resources measurement focus and the accrual basis of accounting
- Allocate net asset balances as follows:
 - Net assets invested in capital assets, net of related debt
 - Restricted net assets are those with constraints placed on the use by external sources (creditors, grantors, contributors, or laws or regulations of governments) or imposed by law through constitutional provisions or enabling legislation
 - Unrestricted net assets are net assets that do not meet any of the above restrictions

Fund Financial Statements

Fund financial statements provide more detailed information on the Borough's most significant funds, not the Borough as a whole. Funds are accounting devices, i.e., a group of related accounts; the Borough uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by state law. Other funds are established to control and manage resources designated for specific purposes. Fund financial statements are reported using current financial resources and modified accrual accounting established by the Government Accounting Standards Board (GASB) for governments.

The Borough has two kinds of funds:

- *Governmental funds* include most of the Borough's basic services and focus on: (1) the flow in and out of cash and other financial assets that can readily be converted into cash, and: (2) the balances left at year-end that are available for spending. These funds are reported using the modified accrual accounting basis, and a current financial resources measurement focus. Consequently, the governmental funds statements provide a detailed short-term view that helps determine the financial resources available in the near future to finance the Borough's programs.

The relationship between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is described in a reconciliation that follows the governmental fund financial statements.

The Borough adopts an annual budget for the General Fund, Liquid Fuel (Highway Aid) Fund, Street Light Fund, Recreation Fund, Fire Equipment Fund, Library Fund, Recycling Fund and the Pension Fund. A budgetary comparison of the Borough's General Fund, Liquid Fuel (Highway Aid) Fund, Recreation Fund, Recycling Fund, and Fire Company Fund are presented as required supplementary information.

- *Fiduciary funds* are funds for which the Borough is the trustee or fiduciary. These include the Police Pension Plan and the Non Uniformed Pension Plan. The Borough is responsible to ensure the assets reported in these funds are used for their intended purposes. This fiduciary activity is reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. These funds are excluded from the Borough's government-wide financial statements because the Borough cannot use these assets to finance its operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

GOVERNMENT-WIDE FINANCIAL STATEMENTS**Net Assets**

The Borough's total assets were \$3,839,591 at December 31, 2011. Of this amount \$1,469,316 was capital assets at December 31, 2011.

GASB No. 34 requires that all capital assets, including infrastructure, be valued and reported within the governmental activities column of the government-wide financial statements, but allowed infrastructure to be added over several years.

**Table A-3: Borough of Clarion
Condensed Statement of Net Assets**

| | <u>Governmental Activities 2010</u> | <u>Governmental Activities 2011</u> | <u>Changes from 2010 to 2011</u> |
|---|---|---|--|
| Capital Assets | \$ 1,297,192 | \$ 1,469,316 | \$ 172,124 |
| Other Assets | 2,712,914 | 2,370,275 | (342,639) |
| Total Assets | <u>4,010,106</u> | <u>3,839,591</u> | <u>(170,515)</u> |
| Liabilities | <u>653,628</u> | <u>216,974</u> | <u>(436,654)</u> |
| Net Assets: | | | |
| Invested in Capital Assets net of related debt | 1,249,087 | 1,428,582 | 179,495 |
| Restricted Net Assets | 1,749,500 | 1,593,044 | (156,456) |
| Unrestricted Net Assets | 357,891 | 600,991 | 243,100 |
| Total Net Assts | <u>\$ 3,356,478</u> | <u>\$ 3,622,617</u> | <u>\$ 266,139</u> |

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The following statement of activities represents changes in net assets for the years ended December 31, 2010 and 2011. It shows revenues by source and expenses by function for governmental activities and the government as a whole.

**Table A-4: Borough of Clarion
Condensed Statement of Activities**

| | Governmental Activities 2010 | Governmental Activities 2011 | Changes from 2010 to 2011 | Percentage Change |
|------------------------------------|------------------------------------|------------------------------------|---------------------------------|----------------------|
| Program Revenues: | | | | |
| Charges for Services | \$ 516,311 | \$ 758,580 | \$ 242,269 | 46.9% |
| Operating Grants and Contributions | 886,237 | 665,241 | (220,996) | -24.9% |
| General Revenues: | | | | |
| Real Estate Taxes | 808,430 | 794,445 | (13,985) | -1.7% |
| Act 511 Taxes | 375,224 | 394,391 | 19,167 | 5.1% |
| Interest Revenue | 47,499 | 13,605 | (33,894) | -71.4% |
| Sale of Fixed Assets | 4,125 | 6,005 | 1,880 | 31.3% |
| Total Revenues | <u>2,637,826</u> | <u>2,632,267</u> | <u>(5,559)</u> | <u>-0.2%</u> |
| Expenses: | | | | |
| General Government | 357,620 | 369,977 | 12,357 | 3.5% |
| Public Safety | 917,798 | 1,172,733 | 254,935 | 27.8% |
| Public Works | 1,974,709 | 901,884 | (1,072,825) | -54.3% |
| Culture and Recreation | 174,952 | 162,801 | (12,151) | -6.9% |
| Interest on Long Term Debt | 12,717 | 180 | (12,537) | -98.6% |
| Total Expenses | <u>3,437,796</u> | <u>2,607,575</u> | <u>(830,221)</u> | <u>-24.1%</u> |
| Changes in Net Assets | <u>\$ (799,970)</u> | <u>\$ 24,692</u> | <u>\$ 824,662</u> | <u>-103.1%</u> |

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Net Program Expenses

Net program expenses indicate the amount of support required from taxes and other general revenues for a program of the government. In 2011, revenue from real estate taxes and act 511 taxes was \$794,445 and \$394,391 respectively

**Table A-5: Borough of Clarion
Net Cost of Governmental Activities**

| | 2011 | |
|----------------------------|-----------------------------------|---------------------------------|
| | <u>Total Cost of Services</u> | <u>Net Cost of Services</u> |
| General Government | \$ 369,977 | \$ (8,466) |
| Public Safety | 1,172,733 | (650,771) |
| Public Works | 901,884 | (428,253) |
| Culture and Recreation | 162,801 | (96,084) |
| Interest on Long Term Debt | <u>180</u> | <u>(180)</u> |
| Total | <u>\$ 2,607,575</u> | <u>\$ (1,183,754)</u> |

The Borough relied on real estate taxes, earned income taxes and other general revenues to fund 45% of its governmental activities in 2011.

Capital Assets

The Borough's investment in capital assets at December 31, 2011, net of accumulated depreciation, was \$1,469,316. Capital assets consist primarily of land, buildings and equipment. The following is a summary of capital assets at December 31, 2011:

**Table A-6: Borough of Clarion
Capital Assets**

| | <u>Governmental Activities 2010</u> | <u>Governmental Activities 2011</u> | <u>Changes from 2010 to 2011</u> |
|----------------------------|---|---|--------------------------------------|
| Land | \$ 229,794 | \$ 229,794 | \$ - |
| Buildings and Improvements | 2,183,379 | 2,183,379 | - |
| Equipment | 597,238 | 647,879 | 50,641 |
| Vehicles | 324,504 | 543,441 | 218,937 |
| Accumulated Depreciation | <u>(2,037,723)</u> | <u>(2,135,177)</u> | <u>(97,454)</u> |
| Total Net Capital Assets | <u>\$ 1,297,192</u> | <u>\$ 1,469,316</u> | <u>\$ 172,124</u> |

Detailed information about the Borough's capital assets can be found in Note 4, Notes to the Financial Statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Debt Administration

The Borough's long term debt activity for 2011 is as follows and is detailed in Note 7 to the Financial Statements:

**Table A-7: Borough of Clarion
Statement of Long Term Debt**

| <u>Type</u> | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> |
|-----------------------------|------------------------------|------------------|------------------|---------------------------|
| Loan and Note Payable | \$ 38,587 | \$ 31,111 | \$ 32,897 | \$ 36,801 |
| Capital Lease | 9,518 | - | 5,585 | 3,933 |
| Compensated Absences | 49,577 | 2,676 | 6,096 | 46,157 |
| Total Long Term Debt | \$ 97,682 | \$ 33,787 | \$ 44,578 | \$ 86,891 |

In 2011, the Borough purchased a police vehicle for \$31,111. The loan and note payable balance as of December 31, 2011 is \$36,801.

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

The Borough uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

The Borough's governmental funds include the general fund and special revenue funds. The general fund is the chief operating fund for the Borough. Special revenue funds are restricted to specific legislated use. The major funds are shown on the statement of revenues, expenditures and changes in fund balances in the financial statements.

Taxes are one of the Borough's most significant revenue sources, accounting for 43.9% of 2011 Governmental revenues. Taxes decreased in 2011 by \$66,886 due to decreases in property assessment valuation. The 2011 mill rate remained the same at 19.50, however, the disbursement of the taxes changed due to the needs of the funds for which the taxes are distributed. The General Fund mill rate increased from 13.6875 to 14.445 mills. Street Light fund increased from 1.25 to 1.65 mills. The Recreation Fund decreased from 1.2045 to .5 mills. The Library Fund mill rate remained the same at .975. The Fire Equipment Fund mill rate remained the same at 1.63 mills. The Recycling Fund mill decreased from .75 to .30 mills. Intergovernmental revenue decreased in 2011 by \$220,995 due to a decrease in grant funds received for Community Development programs. In 2011 the Borough received \$50,837 in CDBG grant funding compared to \$431,863 in 2010. The Borough received \$186,437 in Contributions for the Fire Company rehabilitation building project in 2011. Licenses and permits increased in 2011 by \$32,418 due to the increase in rental unit fees.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Governmental fund revenues by source at December 31, 2010 and 2011 were as follows:

**Table A-8: Borough of Clarion
Revenues by Source, Governmental Funds**

| Revenues: | 2010 | 2011 | Variance |
|----------------------------|---------------------|---------------------|--------------------|
| Taxes | \$ 1,220,629 | \$ 1,153,743 | \$ (66,886) |
| Licenses, fees and permits | 137,569 | 169,987 | 32,418 |
| Charges for services | 221,123 | 234,873 | 13,750 |
| Fines and forfeits | 133,938 | 151,421 | 17,483 |
| Intergovernmental | 886,236 | 665,241 | (220,995) |
| Interest and rents | 47,499 | 13,605 | (33,894) |
| Miscellaneous income | 23,682 | 15,862 | (7,820) |
| Contributions | - | 186,437 | 186,437 |
| Loan proceeds | 34,880 | 31,111 | (3,769) |
| Sale of fixed assets | 4,125 | 6,005 | 1,880 |
| Total revenues | \$ 2,709,681 | \$ 2,628,285 | \$ (81,396) |

GOVERNMENTAL FUND EXPENDITURES decreased 24% or \$819,795 during 2011. The Public Works program decreased by \$1,093,072 from 2010. This decrease was mainly due to expenditures in 2010 that involved the \$321,882 in the Recycling program (purchase of a truck used in leaf collection), the Capital Project Fund expenditures of \$569,163 for the Storm Water Project. The annual paving project expenditures in the Capital Project fund was \$196,264 for 2011. In 2010 the CDBG program cost was \$458,148 as compared to \$64,918 in 2011. In 2011 the loan on the Public Work Truck was paid off which showed a debt decrease of \$8,030. Public Safety expenditures increased by \$269,782 due to the Fire Company Building Rehab project and the purchase of two main parking meters. The Public Safety function alone accounts for 46.5% of total governmental fund expenditures. Public Works accounts for 33.4% and Administration accounts for 14.9% of the total governmental fund expenditures. Culture and Recreation is 5% and Debt Services is .18% of total governmental fund expenditures.

Governmental fund expenditures by function at December 31, 2010 and 2011 were as follows:

**Table A-9: Borough of Clarion
Expenditures by Function, Governmental Funds**

| Expenditures | 2010 | 2011 | Net Change |
|---------------------------|---------------------|---------------------|---------------------|
| General Government | \$ 364,382 | \$ 386,879 | \$ 22,497 |
| Public Safety | 941,638 | 1,211,420 | 269,782 |
| Public Works | 1,962,228 | 869,156 | (1,093,072) |
| Culture and Recreations | 140,383 | 130,268 | (10,115) |
| Debt Service | 12,717 | 4,687 | (8,030) |
| Miscellaneous | 1,037 | 180 | (857) |
| Total Expenditures | \$ 3,422,385 | \$ 2,602,590 | \$ (819,795) |

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

GOVERNMENTAL FUND BALANCES

Ending Balances for Governmental Funds at December 31, 2011:

**Table A-10: Borough of Clarion
Ending Fund Balances, Governmental Funds**

| Funds | Governmental Funds |
|------------------------|-----------------------|
| General Fund | \$ 275,592 |
| Liquid Fuel Fund | 14,774 |
| Recreation Fund | 207,749 |
| Capital Projects | 1,061,553 |
| Recycling Fund | 204,859 |
| Fire Equipment Fund | 139,223 |
| Other Government Funds | 172,635 |
| Total | \$ 2,076,385 |

Budgetary Highlights – Actual General Fund revenue slightly exceeded the budget amount, where as the 2011 budgeted expenditures were \$64,976 greater than actual expenditures.

Economic Conditions – The 2011 assessed valuation totals \$140,856,789 of which 71.6% (\$100,900,882) is non-taxable and 28.4% (\$39,955,901) is taxable. The majority of the non-taxable property is with Clarion University. The Borough is limited within the amount of real estate tax received due to the non-exempt status. There is no growth potential within the Borough for industrial or commercial development.

Next Year's Budget – Borough Council increased the tax millage in the 2012 Budget from 19.50 to 20.50 mills. The 2012 mills rate for the various funds are: General Fund mills increased from 14.445 mills to 15.545 mills, Street Lighting decreased from 1.65 mills to 1.35 mills, Fire Equipment Fund stayed the same at 1.63 mills, the Library Fund stayed the same at .975 mills, Recreation Fund stayed the same at .50 mills and the Recycling Fund increased from .30 mills to .50 mills.

CONTACTING THE BOROUGH'S FINANCIAL MANAGEMENT

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

Borough of Clarion
Borough Manager
1400 East Main Street
Clarion, PA 16214

BOROUGH OF CLARION
STATEMENT OF NET ASSETS
DECEMBER 31, 2011

| Assets | Governmental Activities |
|---|-------------------------|
| Current Assets: | |
| Cash and cash equivalents | \$ 681,419 |
| Investments | 1,431,338 |
| Accounts receivable | 34,323 |
| Taxes receivable, net | 134,397 |
| Other assets | 10,000 |
| Total Current Assets | 2,291,477 |
| Noncurrent Assets: | |
| Land | 229,794 |
| Buildings | 2,183,379 |
| Equipment | 647,879 |
| Vehicles | 543,441 |
| Accumulated depreciation | (2,135,177) |
| Total Capital Assets | 1,469,316 |
| Net Pension Asset | 78,798 |
| Total Noncurrent Assets | 1,548,114 |
| Total Assets | \$ 3,839,591 |
| Liabilities | |
| Current Liabilities: | |
| Accounts payable | \$ 84,614 |
| Other accrued liabilities | 15,481 |
| Unearned revenues | 3 |
| Due to other governments | 29,985 |
| Capital Lease | 3,933 |
| Current portion of long-term debt | 22,217 |
| Total Current Liabilities | 156,233 |
| Noncurrent Liabilities: | |
| Compensated absences | 46,157 |
| Non-current portion of long-term debt | 14,584 |
| Total Noncurrent Liabilities | 60,741 |
| Total Liabilities | 216,974 |
| Net Assets | |
| Invested in capital assets, net of related debt | 1,428,582 |
| Restricted | |
| Program | 529,091 |
| Capital Projects | 1,063,953 |
| Unrestricted | 600,991 |
| Total Net Assets | 3,622,617 |
| Total Liabilities and Net Assets | \$ 3,839,591 |

The accompanying notes are an integral part of these financial statements.

BOROUGH OF CLARION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

| | Program Revenues | | Net (Expenses) Revenue and Changes in Net Assets | |
|-------------------------------------|-------------------------|--|---|----------------|
| | Charges for Services | Operating Grants and Contributions | Governmental Activities | |
| Expenses | \$ 369,977 | \$ 141,155 | \$ | \$ (8,466) |
| General Government - Administration | 1,172,733 | 43,210 | (650,771) | (650,771) |
| Public Safety | 901,884 | 471,226 | (428,253) | (428,253) |
| Public Works | 162,801 | 9,650 | (96,084) | (96,084) |
| Culture and Recreation | 180 | - | (180) | (180) |
| Interest Expense | - | - | - | - |
| Total Governmental Activities | 2,607,575 | 665,241 | (1,183,754) | (1,183,754) |
| Total Primary Government | \$ 2,607,575 | \$ 665,241 | \$ (1,183,754) | \$ (1,183,754) |

| | |
|---|--------------|
| General Revenues: | 794,445 |
| Taxes: | 394,391 |
| Real Estate | 13,605 |
| Act 511 | 6,005 |
| Interest Revenue | - |
| Sale of Fixed Assets | - |
| Total General Revenues | 1,208,446 |
| Change in Net Assets | 24,692 |
| Net Assets - Beginning | 3,356,478 |
| Prior Period Adjustment | 241,447 |
| Net Assets - Beginning (Restated, Note 13) | 3,597,925 |
| Net Assets - Ending | \$ 3,622,617 |

The accompanying notes are an integral part of these financial statements.

BOROUGH OF CLARION
 COMBINED BALANCE SHEET - GOVERNMENTAL FUNDS
 DECEMBER 31, 2011

| | General Fund | Liquid Fuel Fund | Recreation Fund | Recycling Fund | Fire Equipment Fund | Capital Project Fund | Other Nonmajor Governmental Funds | Total Governmental Funds |
|--|-------------------|------------------|-------------------|-------------------|---------------------|----------------------|-----------------------------------|--------------------------|
| Assets | | | | | | | | |
| Cash and cash equivalents | \$ 276,120 | \$ 2,811 | \$ 53,931 | \$ 8,076 | \$ 35,873 | \$ 239,090 | \$ 65,518 | \$ 681,419 |
| Investments | - | - | 158,199 | - | 127,188 | 1,018,763 | 127,188 | 1,431,338 |
| Accounts Receivable | 22,707 | 44 | 126 | - | 6,327 | - | 5,119 | 34,323 |
| Taxes receivable | 103,375 | - | 1,841 | 3,068 | 10,003 | - | 16,110 | 134,397 |
| Prepaid assets | - | 10,000 | - | - | - | - | - | 10,000 |
| Due from other funds | 12,842 | 2,516 | - | 196,300 | - | - | 21,050 | 232,708 |
| Total Assets | \$ 415,044 | \$ 15,371 | \$ 214,097 | \$ 207,444 | \$ 179,391 | \$ 1,257,853 | \$ 234,985 | \$ 2,524,185 |
| Liabilities and Fund Balance | | | | | | | | |
| Liabilities: | | | | | | | | |
| Accounts payable | \$ 30,505 | \$ 597 | \$ 5,663 | \$ - | \$ 33,081 | \$ - | \$ 14,768 | \$ 84,614 |
| Other accrued liabilities | 15,481 | - | - | - | - | - | - | 15,481 |
| Due to other governmental units | - | - | - | - | - | - | 29,985 | 29,985 |
| Due to other funds | 30,375 | - | - | - | - | 196,300 | 6,033 | 232,708 |
| Deferred revenues | 63,091 | - | 685 | 2,585 | 7,087 | - | 11,564 | 85,012 |
| Total Liabilities | 139,452 | 597 | 6,348 | 2,585 | 40,168 | 196,300 | 62,350 | 447,800 |
| Fund Balances: | | | | | | | | |
| Nonspendable | - | 10,000 | - | - | - | - | - | 10,000 |
| Restricted | - | - | - | - | - | - | 15,898 | 15,898 |
| Administration | - | - | - | - | 139,223 | - | - | 139,223 |
| Public safety | - | - | - | - | - | - | - | - |
| Public works | - | 4,774 | - | 204,859 | - | - | 10,637 | 220,270 |
| Community Development | - | - | - | - | - | - | 12,380 | 12,380 |
| Culture and Recreation | - | - | - | - | - | - | 131,320 | 131,320 |
| Capital Project Funds | - | - | - | - | - | 1,061,553 | 2,400 | 1,063,953 |
| Unassigned | 275,592 | - | 207,749 | - | - | - | - | 483,341 |
| Total Fund Balances | 275,592 | 14,774 | 207,749 | 204,859 | 139,223 | 1,061,553 | 172,635 | 2,076,385 |
| Total Liabilities and Fund Balances | \$ 415,044 | \$ 15,371 | \$ 214,097 | \$ 207,444 | \$ 179,391 | \$ 1,257,853 | \$ 234,985 | \$ 2,524,185 |

The accompanying notes are an integral part of these financial statements.

BOROUGH OF CLARION
 RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS
 DECEMBER 31, 2011

| | | | |
|--|--|----|-----------|
| Total fund balances of governmental funds | | \$ | 2,076,385 |
| <p>Amount reported for governmental activities in the Statement of Net Assets are different because:</p> | | | |
| <p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:</p> | | | |
| Land | | \$ | 229,794 |
| Buildings and improvements, net of \$1,385,177 accumulated depreciation | | | 798,202 |
| Equipment and Vehicles, net of \$750,000 accumulated depreciation | | | 441,320 |
| | | | 1,469,316 |
| Total Capital Assets | | | 1,469,316 |
| <p>Some of the Borough's taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as unearned revenue in the funds.</p> | | | |
| | | | 85,009 |
| <p>The pension assets resulting from contributions in excess of the annual required contribution are not financial resources and therefore are not reported in the funds.</p> | | | |
| | | | 78,798 |
| <p>Long-term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities - both current and long-term-are reported in the Statement of Net Assets. Long-term liabilities at year-end consist of:</p> | | | |
| Long-term debt | | | (36,801) |
| Capital Lease | | | (3,933) |
| Compensated Absences | | | (46,157) |
| | | | (86,891) |
| Total net assets of governmental activities | | \$ | 3,622,617 |

The accompanying notes are an integral part of these financial statements.

BOROUGH OF CLARION
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2011

| | General Fund | Liquid Fuel Fund | Recreation Fund | Recycling Fund | Fire Equipment Fund | Capital Project Fund | Other Nonmajor Governmental Funds | Total Governmental Funds |
|--|------------------|------------------|-----------------|-----------------|---------------------|----------------------|-----------------------------------|--------------------------|
| Revenues: | | | | | | | | |
| Real estate taxes | \$ 562,588 | \$ - | \$ 21,283 | \$ 12,795 | \$ 61,660 | \$ - | \$ 101,026 | \$ 759,352 |
| Act 511 taxes | 394,391 | - | - | - | - | - | - | 394,391 |
| Licenses and permits | 169,987 | - | - | - | - | - | - | 169,987 |
| Fines and forfeitures | 151,421 | - | - | - | - | - | - | 151,421 |
| Intergovernmental revenues | 32,937 | 119,666 | 8,929 | 280,454 | 1,205 | - | 222,050 | 665,241 |
| Charges for services | 134,518 | - | 53,480 | 682 | 3,054 | - | 43,139 | 234,873 |
| Interest and rents | 1,744 | 55 | 4,572 | 34 | 3,569 | - | 3,631 | 13,605 |
| Contribution | - | - | - | - | 186,437 | - | - | 186,437 |
| Miscellaneous | 14,347 | 550 | 965 | - | - | - | - | 15,862 |
| Total Revenues | 1,461,933 | 120,271 | 89,229 | 293,965 | 255,925 | - | 369,846 | 2,591,169 |
| Expenditures: | | | | | | | | |
| Current: | | | | | | | | |
| Administration | 263,757 | - | - | - | - | - | 123,122 | 386,879 |
| Public safety | 850,551 | - | - | - | 268,729 | - | 92,140 | 1,211,420 |
| Public works | 371,304 | 109,272 | - | 58,313 | - | 196,264 | 134,003 | 869,156 |
| Recreation | - | - | 78,646 | - | - | - | 51,622 | 130,268 |
| Miscellaneous | 4,687 | - | - | - | - | - | - | 4,687 |
| Debt service | 180 | - | - | - | - | - | - | 180 |
| Total Expenditures | 1,490,479 | 109,272 | 78,646 | 58,313 | 268,729 | 196,264 | 400,887 | 2,602,590 |
| Excess (Deficiency) of Revenues Over Expenses | (28,546) | 10,999 | 10,583 | 235,652 | (12,804) | (196,264) | (31,041) | (11,421) |
| Other Financing Sources (Uses): | | | | | | | | |
| Sale of fixed assets | 5,750 | 255 | - | - | - | - | - | 6,005 |
| Loan proceeds | 31,111 | - | - | - | - | - | - | 31,111 |
| Operating transfers in | 42,579 | 26,000 | - | 211,950 | - | 258,550 | 58,882 | 597,961 |
| Operating transfers out | (76,492) | (26,000) | (3,756) | (258,550) | - | (220,341) | (12,822) | (597,961) |
| Total Other Financing Sources (Uses) | 2,948 | 255 | (3,756) | (46,600) | - | 38,209 | 46,060 | 37,116 |
| Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | (25,598) | 11,254 | 6,827 | 189,052 | (12,804) | (158,055) | 15,019 | 25,695 |
| Fund Balance | | | | | | | | |
| Beginning of year | 301,190 | 3,520 | 200,922 | 15,807 | 152,027 | 1,219,608 | 157,616 | 2,050,690 |
| End of year | \$ 275,592 | \$ 14,774 | \$ 207,749 | \$ 204,859 | \$ 139,223 | \$ 1,061,553 | \$ 172,635 | \$ 2,076,385 |

The accompanying notes are an integral part of these financial statements.

BOROUGH OF CLARION
 RECONCILIATION OF THE GOVERNMENTAL FUNDS REVENUE, EXPENDITURES AND
 CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2011

Amount reported for governmental activities in the Statement of
 Activities are different because:

| | | |
|---|----------|----------|
| Net change in fund balances - total governmental funds | \$ | 25,695 |
| <p>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 capital outlay (\$81,752) was exceeded by depreciation (\$148,150) in the current period.</p> | | |
| Capital Additions | (81,752) | |
| Depreciation | 148,150 | |
| Net Loss on Sale of Fixed Asset | 2,925 | |
| Net Change on Capital Assets | 69,323 | (69,323) |
| <p>Under the modified accrual basis of accounting used in governmental funds, revenues are not reported until they become available. In the statement of activities, however, revenues are recorded regardless of when financial resources are available. This is the change in unearned real estate tax revenue from 12/31/10 to 12/31/11.</p> | | |
| | | 35,093 |
| <p>The change in the net pension asset does not require financial resources and is therefore not reported in the funds but is shown as a reduction to expense in the statement of activities.</p> | | |
| | | 22,436 |
| <p>The issuance of bonds and similar long-term debt provides current financial resources to governmental funds and thus contribute to the change in fund balance. In the Statement of Net Assets, however, issuing debt increases long-term liabilities and does not affect the Statement of Activities. Similarly, repayment of principal is an expenditure in the governmental funds, but reduces the liability in the Statement of Net Assets. Also, governmental funds report the effect of issuances costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The amounts of the items that make up these differences in the treatment of long-term debt and related items are:</p> | | |
| Debt issued or incurred: | | |
| Principal Repayments | | 32,897 |
| Capital Lease Payments | | 5,585 |
| Loan Proceeds | | (31,111) |
| <p>Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of</p> | | |
| Compensated Absences | | 3,420 |
| Net change in governmental activities net assets | \$ | 24,692 |

The accompanying notes are an integral part of these financial statements.

BOROUGH OF CLARION
STATEMENT OF FIDUCIARY ASSETS
DECEMBER 31, 2011

| | General Employees <u>Pension</u> | Police <u>Pension</u> | <u>Total</u> |
|---|-------------------------------------|--------------------------|---------------------|
| Assets | | | |
| Cash | \$ 98,805 | \$ 71,044 | \$ 169,849 |
| Investments | <u>1,065,863</u> | <u>2,282,168</u> | <u>3,348,031</u> |
| Total Assets | <u>\$ 1,164,668</u> | <u>\$ 2,353,212</u> | <u>\$ 3,517,880</u> |
| Liabilities | | | |
| Accounts Payable | <u>\$ 264</u> | <u>\$ 505</u> | <u>\$ 769</u> |
| Total Liabilities | <u>264</u> | <u>505</u> | <u>769</u> |
| Net Assets Held in Trust for Employees' Pension Benefits | <u>\$ 1,164,404</u> | <u>\$ 2,352,707</u> | <u>\$ 3,517,111</u> |

The accompanying notes are an integral part of these financial statements.

BOROUGH OF CLARION
STATEMENT OF CHANGES IN FIDUCIARY ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2011

| | General Employee Pension | Police Pension | Total |
|---|-----------------------------|---------------------|---------------------|
| Additions: | | | |
| Contributions: | | | |
| Member | \$ 13,969 | \$ 21,181 | \$ 35,150 |
| Municipal | 48 | - | 48 |
| Commonwealth | 77,583 | 51,134 | 128,717 |
| Total Contributions | <u>91,600</u> | <u>72,315</u> | <u>163,915</u> |
| Investment Income: | | | |
| Net Appreciation(Depreciation) in Fair Value of Investments | (11,877) | 28,674 | 16,797 |
| Interest | 3 | 3 | 6 |
| Dividend | 24,926 | 47,088 | 72,014 |
| Investment Income | <u>13,052</u> | <u>75,765</u> | <u>88,817</u> |
| Miscellaneous | 99 | - | 99 |
| Total Additions | <u>104,751</u> | <u>148,080</u> | <u>252,831</u> |
| Deductions: | | | |
| Administrative expenses | 5,811 | 8,215 | 14,026 |
| Retirement Benefits | 79,982 | 83,016 | 162,998 |
| Refund of Member Contributions | 58 | - | 58 |
| Total Deductions | <u>85,851</u> | <u>91,231</u> | <u>177,082</u> |
| Net Increase | 18,900 | 56,849 | 75,749 |
| Net Assets Held in Trust for Employees' Pension Benefits: | | | |
| Beginning of Year | <u>1,145,504</u> | <u>2,295,858</u> | <u>3,441,362</u> |
| End of Year | <u>\$ 1,164,404</u> | <u>\$ 2,352,707</u> | <u>\$ 3,517,111</u> |

The accompanying notes are an integral part of these financial statements.

BOROUGH OF CLARION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Borough of Clarion (the "Borough") operates under the Borough Code under the laws of the Commonwealth of Pennsylvania. The Borough was incorporated in April 1841. The Borough operates under a Council-Manager form of government and provides the following services: public safety, streets, public improvements, planning and zoning, and general administrative services. The accompanying financial statements were prepared in accordance with accounting principles generally accepted in the United States of America, ("GAAP") applicable to governmental units, as prescribed by the Governmental Accounting Standards Board ("GASB").

A summary of the Borough's significant accounting policies is as follows:

A) Reporting Entity

The Borough has adopted the provisions of GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units." The management of the Borough has determined that there are no entities that should be included as component units.

B) Government-Wide and Fund Financial Statements

The Government-wide financial statements (i.e., statement of net assets and the statement of activities) report information on all the non-fiduciary activities of the government as a whole. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which direct expenses of a given function or segment is affected by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1.) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2.) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. 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.

BOROUGH OF CLARION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

C) 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 the liability is incurred, regardless of the timing of the 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.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as another financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability rather than an expenditure.

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 collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Borough considers revenues to be available if they are collected within 365 days of the end of the current fiscal period with the exception of property taxes which must be received within 60 days of year end to be deemed available. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Licenses, operating 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. All other revenue items are considered to be measurable only when the Borough receives cash.

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be a measure of "available spendable resources". Governmental funds operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during the period.

Because of their spending measurement focus, expenditure recognition for governmental fund types exclude amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended rather than as fund assets. The proceeds of long-term debt are recorded as another financing source rather than a fund liability. However, debt service expenditures, as well as expenditures related to compensated absences and claims for judgments, are recorded only when payment is due.

BOROUGH OF CLARION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

The Borough reports the following major governmental funds:

- The General Fund is the primary government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Liquid Fuel Fund (Highway Aid) is used to account for financial resources to be used to provide funds and service to maintain the Borough's roads and streets.
- The Recreation Fund is used to account for financial resources to be used to provide funds and services for the Borough's recreation activities such as the Borough's pool.
- The Fire Equipment Fund is used to account for financial resources to be used to provide funds and services for the Borough's Fire Company activities such as the annual contribution of real estate tax millage.
- The Capital Project Fund is used to account for capital projects within the Borough. The Capital Project Fund was created with the proceeds from the sale of the Clarion Area Authority ("CAA") on October 30, 2008. The funds can be used only for projects that benefit the former rate payers of the CAA. As part of the sale agreement the Borough must allocate annually for the next fifteen years starting in 2009, \$10,000 to be paid to the Fire Company, Borough Library and the Park programs. The total allocation to be paid over ten years is \$450,000.
- The Recycling Fund is used to account for financial resources to be used to provide funds and services for the Borough's recycling program.

Additionally, the Borough reports the following fund type:

- The Pension Trust Funds account for the revenues (i.e., member contributions, Borough contributions, and net investment income) and the expenses (i.e., contributions refunded, retirement allowances, and death benefits paid) of the Police and General Employees' Pension Trust Funds.

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

BOROUGH OF CLARION
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2011

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
 (CONTINUED)

D) Assets, Liabilities, and Net Assets or Fund Balances

1. Cash and Cash Equivalents

For purposes of the accompanying statement of cash flows, the Borough considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

2. Receivables and Payables

• Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities are reported in the government-wide financial statements as "internal balances." All receivables are shown net of an allowance for doubtful accounts, where applicable.

3. Capital Assets

Capital assets, which include property, plant and equipment and infrastructure assets, are reported in the applicable governmental activities column in the government-wide financial statements. Property, plant and equipment, with initial, individual costs that equal or exceed \$5,000 and estimated useful lives of over one year are recorded as capital assets. Capital assets are recorded at historical costs or estimated historical costs if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The Borough did not have any intangible assets for the year ended December 31, 2011.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

Major outlay of capital assets and improvements are capitalized as projects are completed.

Property, plant and equipment assets are depreciated using the straight line method over the following intended useful lives:

| <u>Asset</u> | <u>Years</u> |
|----------------------------|--------------|
| Buildings and Improvements | 40 |
| Vehicles | 5-10 |
| Equipment | 5-10 |

BOROUGH OF CLARION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

D) Assets, Liabilities, and Net Assets or Fund Balances (Continued)

4. Compensated Absences

Borough policy permits employees to accumulate a limited amount of earned, but unused sick time. These benefits are payable to employees upon separation of services. All leave pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported. The computed liability is in compliance with GASB 16, *Accounting for Compensated Absences*.

5. 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. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line 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 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.

6. Unearned / Deferred Revenues

The unearned revenues will be recognized as revenue in the fiscal year they are earned in accordance with the accrual basis of accounting. Deferred revenues reported in governmental fund financial statements represent unearned revenues or revenues which are measurable but not available and, in accordance with the modified accrual basis of accounting, are reported as unearned revenues. The Borough deems revenues received within 365 days of year end to be available with the exception of property taxes, which must be received within 60 days of year end to be deemed available.

BOROUGH OF CLARION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

D) Assets, Liabilities, and Net Assets or Fund Balances (Continued)

7. Net Assets/Fund Balances

The government-wide and business-type activities fund financial statements utilize a net assets presentation. Net assets are categorized as invested in capital assets (net of related debt), restricted and unrestricted.

- *Invested In Capital Assets, Net of Related Debt* – This category groups all capital assets into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

Restricted Net Assets – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of Net Assets.

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

- A. Non-spendable – This classification consists of amounts that cannot be spent because they are either not in spendable form or are legally to be maintained intact.
- B. Restricted - This classification consists of amounts that are restricted to specific purposes. This component of net assets consists of constraints placed on net asset use through external restrictions, such as constitution provisions or enabling legislation.
- C. Committed - This classification consists of amounts used for specific purposes imposed by formal actions of the Borough's highest level of decision-making authority (Borough Council). The removal or modification of the use of committed funds can only be accomplished by formal action prior to fiscal year-end by the Borough's highest level of authority.
- D. Assigned - This classification consists of amounts constrained by the Borough to be used for specific purposes that are neither restricted nor committed. The present procedure is for the Borough Manager and Borough Council to jointly assign amounts to be used for specific purposes before issuance of audited financial statements.
- E. Unassigned - This component of net assets consists of amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the General Fund.

BOROUGH OF CLARION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

D) Assets, Liabilities, and Net Assets or Fund Balances (Continued)

The Borough's policy is to apply expenditures against any restricted fund balance, committed fund balance, assigned fund balance, and then unassigned fund balance.

In the fund financial statements, reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various reserves and designations are established by actions of the Borough Council and management and can be increased, reduced, or eliminated by similar actions.

8. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions except quasi-external transactions and reimbursements are reported as transfers.

9. Accounting Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual amounts may differ from those estimates.

BOROUGH OF CLARION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

D) Assets, Liabilities, and Net Assets or Fund Balances (Continued)

10. Adoption of Governmental Accounting Standards

In March 2009, the GASB issued Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*." The Borough adopted Statement No. 54 for its calendar year 2011 financial statements. GASB 54 effect is shown on the Combining Balance Sheet of the Governmental Funds and the Special Revenues Funds.

In June 2010, the GASB issued Statement No. 59, "Financial Instruments Omnibus". The Borough is required to adopt Statement No. 59 for its calendar year 2011 financial statements. The adoption of this statement had no effect on the financial reporting information of the Borough.

11. Pending Changes in Accounting Principles

In December 2009, the GASB issued Statement No. 57, "OPEB Measurements by agent Employers and Agent Multiple-Employer Plans". The Borough is required to adopt Statement No. 57 for its calendar year 2012 financial statements.

In November 2010, the GASB issued Statement No. 60, "*Accounting and Financial Reporting for Service Concession Arrangements*." The Borough of Clarion is required to adopt Statement No. 60 for its calendar year 2012 financial statements.

In November 2010, the GASB issued Statement No. 61, "*The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*." The Borough of Clarion is required to adopt Statement No. 61 for its calendar year 2013 financial statements.

In December 2010, the GASB issued Statement No. 62, "*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1089 FASB and AICPA Pronouncements*." The Borough of Clarion is required to adopt Statement No. 62 for its calendar year 2012 financial statements.

In June 2011, the GASB unanimously approved Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, which establishes guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position. The Borough of Clarion is required to adopt Statement No. 63 for its calendar year 2012 financial statements.

In June 2011, the GASB approved Statement No. 64, Derivative Instruments: Application of Hedge Accounting Termination Provisions (an amendment of GASB Statement No. 53). The Borough of Clarion is required to adopt Statement No. 64 for its calendar year 2012 financial statements.

BOROUGH OF CLARION
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2011

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
 (CONTINUED)

D) Assets, Liabilities, and Net Assets or Fund Balances (Continued)

The Borough has not yet completed the various analysis required to estimate the financial statement impact of these new pronouncements.

E) Budgets and Budgetary Accounting

Legal Requirements

Commonwealth of Pennsylvania statutes require that Borough Governments establish budgetary systems and adopt annual operating budgets. The Borough's annual budget includes the General Fund and certain special revenue funds, and is based on estimates of revenues and expenditures approved by the Borough Council. The Borough adopted the 2011 budget on the same basis of accounting as reported in the financial statements. The Borough follows these procedures in establishing the budgetary data reflected in the financial statements:

Borough Budget Process

1. During the fall, the Borough Manager prepares a preliminary budget which is submitted to the Council for review.
2. The Council reviews the preliminary projections of revenues and expenditures incorporating any revisions or adjustments.
3. The Council advertised that the proposed budget is available for public inspection for 10 days prior to final adoption.
4. After the 10-day inspection period, but prior to December 31, the Council adopts the final budget by enacting an appropriate resolution.
5. Formal budgetary process is employed as a planning device. The adopted budget is on the modified accrual basis. Budget amounts are as originally adopted, or as amended by the Council.

Level of Control

The Borough maintains budgetary control at the individual fund level.

Lapsing of Appropriations

Unexpended appropriations lapse at year-end.

Management Amendment Authority

During the course of the year, departmental needs may change, emergencies may occur or additional revenue may arise. As a result, funds are transferred between line items of a department's budget or additional revenue may need to be budgeted for a specific project or grant. Adjustments to the budget are made on a line item basis during the year and approved by Borough Council.

BOROUGH OF CLARION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

NOTE 2: DEPOSIT AND INVESTMENT RISK

The Borough's deposits and investments for both the governmental activities and pension trust funds as of December 31, 2011 were as follows:

| | |
|--|-------------------------|
| Deposits - Governmental Activities | |
| Cash | \$ 681,419 |
| Investments | |
| Certificates of Deposits | 1,431,338 |
| Pension | |
| Deposits - Pension Trust Funds | |
| Cash | \$ 169,849 |
| Investments - Pension Trust Funds | |
| Mutual Funds - Equity | 2,506,693 |
| Fixed Income Mutual Funds | 841,338 |
| Total Pension Investments | <u>3,348,031</u> |
| Total Pension Deposits and Investments | <u>\$ 3,517,880</u> |

The Certificate of Deposits had the following debt investments and maturities:

| Investment Type | Fair Value | Investment Maturities (In Years) | | | |
|------------------------|--------------|----------------------------------|--------------|------|--------------|
| | | Less Than 1 | 1-5 | 6-10 | More Than 10 |
| Certificate of Deposit | \$ 1,431,338 | \$ - | \$ 1,431,338 | \$ - | \$ - |

The Pension Funds had the following debt investments and maturities:

| Investment Type | Fair Value | Investment Maturities (In Years) | | | |
|-------------------------|------------|----------------------------------|------------|------|--------------|
| | | Less Than 1 | 1-5 | 6-10 | More Than 10 |
| Fixed Income Mutal Fund | \$ 841,338 | \$ - | \$ 841,338 | \$ - | \$ - |

Interest Rate Risk. The Pension Funds Investment Policies do not have a formal investment policy that limits investment maturities as a means of managing their exposure to fair value losses arising from increasing interest rates.

Credit Risk. The Pension Funds Investment Policies do not have a formal investment policy that limits these funds credit risk.

As of December 31, 2011, the Pension Funds investments in fixed income mutual funds were not rated by Standard & Poor's.

BOROUGH OF CLARION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

NOTE 2: DEPOSIT AND INVESTMENTS RISK (CONTINUED)

Custodial Credit Risk. For deposits and investments, custodial credit risk is the risk that in the event of the failure of the counterparty, the Borough will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Total deposits held by outside parties at December 31, 2011 were \$2,117,528 with a book value of \$2,112,757. Of the Borough's \$2,117,528 in deposits, \$1,617,528 were exposed to custodial credit risk, as they were uninsured and uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the Borough's name. None of the Pension Funds' investments were exposed to custodial credit risk at December 31, 2011. The Borough does not have a formal investment policy related to custodial credit risk.

NOTE 3: REAL ESTATE TAXES

Real estate taxes attach as an enforceable lien on property on January 1. Taxes are billed on March 1, payable under the following terms: 2% discount, March 1 based on the assessed value listed as of the prior December 31 for the real property located in the Borough through April 30; face amount, May 1 through June 30, and 10% penalty after June 30. The County bills these taxes which are collected by an elected local tax collector and remitted to the Borough. Real estate taxes levied for 2010 are recorded as receivables, net of estimated uncollectibles. The net receivables collected during 2011 and expected to be collected within the first sixty (60) days of 2011 are recognized as revenue in 2011. Net receivables estimated to be collectible subsequent to March 1, are reflected in unearned revenue. Prior years levies are recorded using these same principles and remaining receivables are annually reevaluated as to collectibility.

The rate of real estate taxation in 2011, was 14.445 mills for general purposes, .975 for the library, 1.63 for fire equipment, 1.65 for street lights, .3 mills for recreation, and .5 mills for recycling fund purposes on a total Borough assessed valuation of \$39,955,901.

BOROUGH OF CLARION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2011, was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|-------------|-----------|-------------------|
| Capital assets, not being depreciated | | | | |
| Land | \$ 229,794 | \$ - | \$ - | \$ 229,794 |
| Total capital assets, not being depreciated | 229,794 | - | - | 229,794 |
| Capital assets, being depreciated | | | | |
| Buildings and Improvements | 2,183,379 | - | - | 2,183,379 |
| Equipment | 597,238 | 50,641 | - | 647,879 |
| Vehicles | 541,578 | 31,111 | 29,248 | 543,441 |
| Total capital assets, being depreciated | 3,322,195 | 81,752 | 29,248 | 3,374,699 |
| Less accumulated depreciation for: | | | | |
| Buildings and Improvements | (1,324,858) | (60,319) | - | (1,385,177) |
| Equipment | (520,959) | (27,048) | - | (548,007) |
| Vehicles | (167,533) | (60,783) | 26,323 | (201,993) |
| Total accumulated depreciation | (2,013,350) | (148,150) | 26,323 | (2,135,177) |
| Total capital assets, being depreciated, net | 1,308,845 | (66,398) | 55,571 | 1,239,522 |
| Total capital assets, net (Restated Note 13) | \$ 1,538,639 | \$ (66,398) | \$ 55,571 | \$ 1,469,316 |

BOROUGH OF CLARION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

NOTE 4: CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions/programs as follows:

Governmental Activities

| | |
|---|-------------------|
| General government - Administrative | \$ 3,116 |
| Public safety | 33,066 |
| Public works | 79,435 |
| Culture and recreation | <u>32,533</u> |
| Total Depreciation Expense, Governmental Activities | <u>\$ 148,150</u> |

NOTE 5: EMPLOYEES RETIREMENT PLANS

A. Pension Trust FundsPlan Description

The Borough sponsors two single employer defined benefit plans covering substantially all full-time employees. Employees become eligible for participation in a plan upon employment and become fully vested after twelve years of service in the Police Pension Plan and ten years of service in the General Employees' Pension Plan. The Police Pension Plan was established by municipal ordinance with the authority for municipal contributions required by Act 205, of the Pennsylvania legislature. The General Employees' Pension Plan was established and is controlled by Ordinance No. 95-673.

At January 1, 2011, the date of the most recent actuarial valuation, participants in the plans are as follows:

| Participants: | <u>General Employees'</u> | <u>Police</u> |
|---|-------------------------------|---------------|
| Retirees and beneficiaries | 5 | 6 |
| Terminated employees entitled to benefits but not yet receiving them | 2 | 2 |
| Active employees: | 7 | 8 |
| Total | <u>14</u> | <u>16</u> |

BOROUGH OF CLARION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

NOTE 5: EMPLOYEES RETIREMENT PLANS (CONTINUED)

A. Pension Trust Funds (Continued)Plan Description

The benefits provided by the plans differ by employment group and are based upon average monthly compensation, age and length of service. A summary of benefit provisions, by employee group, is as follows:

| | <u>General Employees'</u> | <u>Police</u> |
|-----------------------------|---|---|
| Normal retirement age | 60 | 50 |
| Years of service | 15 | 25 |
| Average compensation period | 36 months | 36 months |
| Early retirement | N/A | N/A |
| Vesting | 100% after completion of 15 years of service | 100% after completion of 12 years of service |
| Normal forms of benefits | Life | Life with 50% survivor Benefit |
| Normal benefits | 2% average monthly compensation multiplied by the number of complete years of service | 50% average monthly Compensation |
| Early benefit | N/A | N/A |
| Disability benefit | N/A | 50% average monthly compensation |
| Service increment | None | \$100 monthly compensation For 26 or more years of service |

B. Funding Status and Progress

The amount presented below as "pension obligation" is the actuarial present value of accumulated plan benefits, adjusted for the effect of projected salary increases, and is intended to assist users of this information in assessing the plan's funding status on a going concern basis and the progress made in accumulating sufficient assets to pay when they become due. The measurement of the pension obligations is the actuarial present value of credited projected benefits and is independent of the funding method used to determine contributions.

The pension obligations, which are actuarially determined on a biannual basis, have been calculated as of January 1, 2011. Significant actuarial assumptions used include a rate of return on the investment of present and future assets of 7.5% per year compounded annually and projected salary increases of 5.0% (5.5% for the police plan) per year compounded annually. The actuarial cost method used is the entry age normal cost method. As of December 31, 2011, the most recent actuarial valuation date, the General Employees' Pension Plan was 83.3% funded and the Police Pension Plan was 103.2% funded.

BOROUGH OF CLARION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

NOTE 5: EMPLOYEES RETIREMENT PLANS (CONTINUED)

For the General Employees' Pension Plan, the actuarial accrued liability for the benefits was \$1,416,625, and the actuarial value of the assets was \$1,179,775, resulting in an unfunded actuarial accrued liability (UAAL) of \$236,850. The actuarial value of the assets as a percentage of the actuarial accrued liability was 83.3%. The covered payroll was \$253,051, and the ratio of the UAAL to the covered payroll was 93.6%. For the Police Pension Plan, the actuarial accrued liability for the benefits was \$2,282,521, and the actuarial value of the assets was \$2,356,303, resulting in an excess actuarial accrued liability (UAAL) of \$73,782. The actuarial value of the assets as a percentage of the actuarial accrued liability was 103.2%. The covered payroll was \$409,468, and the ratio of the UAAL to the covered payroll was N/A.

The summary of annual pension cost and net pension obligation (NPO) was as follows:

| | General Employees' | Police | Total |
|------------------------------------|-----------------------|--------------------|--------------------|
| Annual Required Contribution (ARC) | \$ 61,571 | \$ 38,452 | \$ 100,023 |
| Interest on NPO | (3,260) | (967) | (4,227) |
| Adjustment to the ARC | <u>5,768</u> | <u>1,387</u> | <u>7,155</u> |
| Annual Pension Cost | <u>64,079</u> | <u>38,872</u> | <u>102,951</u> |
| Contributions made | 74,253 | 51,134 | 125,387 |
| Change in NPO | (10,174) | (12,262) | (22,436) |
| NOP, Beginning of Year | <u>(43,464)</u> | <u>(12,898)</u> | <u>(56,362)</u> |
| NPO, End of End | <u>\$ (53,638)</u> | <u>\$ (25,160)</u> | <u>\$ (78,798)</u> |

BOROUGH OF CLARION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

NOTE 5: EMPLOYEES RETIREMENT PLANS (CONTINUED)

B. Historical Trend Information

Historical trend information designed to provide information about the Borough's program made in accumulating sufficient assets to pay benefits when due is presented in the following tables. Actuarial data provided only for years in which actuarial studies have been completed.

Three year trend information

| | Calendar Year | Annual Required Contribution | Percentage of Annual Required Contribution Contributed |
|-----------------------------------|------------------|------------------------------------|---|
| General Employees Pension Plan | 2009 | \$ 60,515 | 123% |
| | 2010 | 66,462 | 102% |
| | 2011 | 61,571 | 121% |
| Police Pension Plan | 2009 | \$ 8,307 | 100% |
| | 2010 | 48,247 | 111% |
| | 2011 | 38,452 | 133% |

NOTE 6: COMPENSATED ABSENCES

Vacation and personal days may not be accumulated from year to year. All Borough employees earn 1.5 sick days per month worked, for a maximum of 18 days per year. The total that employees covered under the Teamster contract (general employees) may accumulate is a maximum of 180 sick days. All other employees (police) may accumulate up to a maximum of 150 days.

At the end of each calendar year, each employee has the option to receive payment of \$30 per day of his/her unused sick days in which they have in excess of the maximum 180/150 days referred to above. At retirement any employee may sell back accumulated unused sick leave up to the maximum amount. At December 31, 2011, the total liability for compensated absences was \$46,157.

Applicable GASB pronouncements require accrual of sick pay that met certain specific conditions. The Borough has determined that such conditions apply to accumulated sick pay of Governmental Funds. To the extent sick pay liabilities in Governmental Funds are to be liquidated with available resources, they are accounted for as fund liabilities in the Fund Financial Statements; the remainder of the obligation is accounted for as a liability in the Government-wide financial statements.

BOROUGH OF CLARION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

NOTE 7: LONG-TERM LIABILITIES

A summary of changes in long-term liabilities follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Amounts Due Within One Year |
|--|----------------------|------------------|------------------|-------------------|-----------------------------------|
| Governmental Activities: | | | | | |
| Loans and Note Payable: | | | | | |
| Loans and Note | \$ 38,587 | \$ 31,111 | \$ 32,897 | \$ 36,801 | \$ 22,217 |
| Total Loans and Note Payable | 38,587 | 31,111 | 32,897 | 36,801 | 22,217 |
| Capital Lease | 9,518 | - | 5,585 | 3,933 | - |
| Other Liabilities | | | | | |
| Compensated Absences | 49,577 | 2,676 | 6,096 | 46,157 | - |
| | 49,577 | 2,676 | 6,096 | 46,157 | - |
| Governmental Activities Long-Term Liabilities | <u>\$ 97,682</u> | <u>\$ 33,787</u> | <u>\$ 44,578</u> | <u>\$ 86,891</u> | <u>\$ 22,217</u> |

An analysis of debt service requirements to maturity on these obligations follows (with the exception of compensated absences and capital leases):

| Years Ended December 31: | Principal Requirements | Interest Requirements | Total Debt Service Requirements |
|--------------------------|---------------------------|--------------------------|---------------------------------------|
| 2012 | \$ 22,217 | \$ 804 | \$ 23,021 |
| 2013 | 13,682 | 216 | 13,898 |
| 2014 | 902 | 3 | 905 |
| Total Requirements | <u>\$ 36,801</u> | <u>\$ 1,023</u> | <u>\$ 37,824</u> |

BOROUGH OF CLARION
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2011

NOTE 7: LONG-TERM LIABILITIES (CONTINUED)

The following is a summary of general obligation debt outstanding:

| <u>Year</u> | <u>Amount of Original Issue</u> | <u>Purpose</u> | <u>Balance Outstanding December 31, 2011</u> |
|-------------|---|--|--|
| 2010 | \$ 34,880 | Note payable to be paid in 36 monthly installments starting in April 10, 2010 through March 10, 2013 with an interest rate of 2.97%. Proceeds were used to purchase a police vehicle. | \$14,903 |
| 2011 | 31,111 | Note payable to be paid in 36 monthly installments starting in February 27, 2011 through January 27, 2014 with an interest rate of 3.00%. Proceeds were used to purchase a police vehicle. | 21,898 |
| | Total | | <hr/> <u>\$ 36,801</u> |

BOROUGH OF CLARION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

NOTE 8: LEASE AGREEMENT

The Borough entered into a lease agreement with Sustainable Energy Fund of Central Eastern PA for the replacement of traffic lights in the Borough.

Future minimum lease payments at December 31, 2011 and present value of capital lease obligations were:

| Year Ended December 31: | <u>Governmental Activities</u> |
|---|------------------------------------|
| 2012 | <u>\$ 4,026</u> |
| Total Minimum Lease Payments | 4,026 |
| Less: Amount Representing Interest | <u>93</u> |
| Present value of net minimum lease payments | 3,933 |
| Less: Amount due within one year | <u>3,933</u> |
| Long-term Amount Due | <u><u>\$ -</u></u> |

NOTE 9: INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances consist of the following at December 31, 2011:

| | <u>Due from Other Funds</u> | <u>Due to Other Funds</u> |
|--|---------------------------------|-------------------------------|
| Governmental Fund: | | |
| General Fund | \$ 12,842 | \$ 30,375 |
| Liquid Fuel Fund | 2,516 | - |
| Street Lighting Fund | 5,287 | 5,690 |
| Recreation Fund | - | - |
| Recycling Fund | 196,300 | - |
| Pension Fund | 13,748 | - |
| Insurance Expenditure Fund | - | 343 |
| Capital Project Fund | - | 196,300 |
| Storm Sewer Fund | <u>2,015</u> | <u>-</u> |
| Total Governmental Funds | <u>232,708</u> | <u>232,708</u> |
| Total Interfund Receivables and Payables | <u><u>\$ 232,708</u></u> | <u><u>\$ 232,708</u></u> |

The General Fund has paid expenses on behalf of other funds, therefore, a corresponding interfund receivable and payable has been recorded.

BOROUGH OF CLARION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

NOTE 10: INTERFUND OPERATING TRANSFERS

Interfund transfers are executed as a result of the requirements for the General Fund to match a portion of the expenditures or expenses of other funds. Interfund operating transfers are as follows:

| | <u>Transfer In</u> | <u>Transfer Out</u> |
|----------------------------|--------------------|---------------------|
| Governmental Funds: | | |
| General Fund | \$ 42,579 | \$ 76,492 |
| Liquid Fuel Fund | 26,000 | 26,000 |
| Recreation Fund | - | 3,756 |
| Street Lighting Fund | 3,000 | 3,000 |
| Recycling Fund | 211,950 | 258,550 |
| CDBG Fund | 14,530 | - |
| Pension Fund | 25,719 | 9,822 |
| Insurance Expenditure Fund | 6,143 | - |
| Capital Project Fund | 258,550 | 220,341 |
| Storm Sewer Fund | 9,490 | - |
| | <u>\$ 597,961</u> | <u>\$ 597,961</u> |
| | <u>\$ 597,961</u> | <u>\$ 597,961</u> |

NOTE 11: RESTRICTED FUND BALANCES/NET ASSETS

The restrictions of fund balance/net assets included in the fund financial statements represent portions of fund balances/net assets that are restricted for various purposes and are not available for payment of other subsequent expenditures. The following reservations are included in the fund financial statements:

| | |
|--|--------------------|
| <u>Governmental Funds</u> | |
| <u>Capital Project Fund</u> Restricted for capital projects. | <u>\$1,061,553</u> |
| <u>Recycling Fund</u> Restricted for program purpose. | <u>\$204,859</u> |
| <u>Recreation Fund</u> Restricted for program purpose. | <u>\$207,749</u> |
| <u>Liquid Fuels Fund</u> Restricted for program purpose. | <u>\$4,774</u> |
| <u>Non-Major Funds</u> Restricted for program purpose. | <u>\$172,635</u> |
| <u>Fiduciary Funds</u> | |
| <u>General Employee Pension Trust Fund</u> This amount represents amounts restricted for payment of pension benefits | <u>\$1,164,404</u> |
| <u>Police Pension Trust Fund</u> This reserve represents amounts restricted for the payment of Police pension benefits. | <u>\$2,352,707</u> |

BOROUGH OF CLARION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

NOTE 12: LITIGATION

In the normal course of business, there are various claims and suits pending against the Borough and its elected officials. Management is of the opinion that these matters will not have a material adverse effect on the Borough's financial position at December 31, 2011.

NOTE 13: PRIOR PERIOD ADJUSTMENT

In 2010 the Borough purchased a 2011 Truck Freightliner and had it retrofitted with a leaf loader. The completion on the truck and leaf loader was in January 2011. There were four vehicles that were sold in prior years and were never adjusted from the vehicle inventory report. The prior year adjustment to vehicle assets was a net cost of \$241,447. The following adjustment was required to restate net assets:

| | 12/31/2010 | Additions | Retirement | 1/1/2011 Restated |
|-----------------------------------|------------|------------|--------------|----------------------|
| Vehicles | \$ 324,504 | \$ 292,277 | \$ (75,203) | \$ 541,578 |
| Accumulative Depreciation | (191,906) | - | 24,373 | (167,533) |
| | | 292,277 | (50,830) | |
| Net Adjustment to fixed Assets | | | 241,447 | |
| | | | | |
| Net Assets -Beginning of Year | | | \$ 3,356,478 | |
| Prior Perod Adjustment | | | 241,447 | |
| Net Assets - Beginning (Restated) | | | \$ 3,597,925 | |

NOTE 14: LEGAL COMPLIANCE

For the year ended December 31, 2011, the Fire Equipment fund total expenditures exceeded total appropriations by \$180,239. Additional revenues earned in the current year provided the funds for those over expenditures.

NOTE 15: SUBSEQUENT EVENTS

During January 2012 the Borough issued a Tax and Revenue Anticipation Note with a financial institution in the aggregate principal amount of \$300,000 at a fixed interest rate of 1.74%.

REQUIRED
SUPPLEMENTARY
INFORMATION

BOROUGH OF CLARION
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 GENERAL FUND - BUDGET TO ACTUAL
 FOR THE YEAR ENDED DECEMBER 31, 2011

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|-------------------|-------------------|-------------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Real Estate Taxes | \$ 608,560 | \$ 608,560 | \$ 562,588 | \$ (45,972) |
| Act 511 Taxes | 375,570 | 375,570 | 394,391 | 18,821 |
| Licenses and Permits | 142,420 | 142,420 | 169,987 | 27,567 |
| Fines | 159,700 | 159,700 | 151,421 | (8,279) |
| Interest and Rents | 850 | 850 | 1,744 | 894 |
| Intergovernmental Revenues | 31,202 | 31,202 | 32,937 | 1,735 |
| Charges for Services | 136,630 | 136,630 | 134,518 | (2,112) |
| Miscellaneous | 1,000 | 1,000 | 14,347 | 13,347 |
| Refunds | 3,500 | 3,500 | - | (3,500) |
| Total Revenues | <u>1,459,432</u> | <u>1,459,432</u> | <u>1,461,933</u> | <u>2,501</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Administration | 286,785 | 286,785 | 263,757 | 23,028 |
| Public Safety | 840,415 | 840,415 | 850,551 | (10,136) |
| Public Works | 412,705 | 412,705 | 371,304 | 41,401 |
| Miscellaneous | 275 | 275 | 4,687 | (4,412) |
| Debt Service | 15,275 | 15,275 | 180 | 15,095 |
| Total Expenditures | <u>1,555,455</u> | <u>1,555,455</u> | <u>1,490,479</u> | <u>64,976</u> |
| Excess of Revenues Over (Under) Expenditures | <u>(96,023)</u> | <u>(96,023)</u> | <u>(28,546)</u> | <u>67,477</u> |
| Other Financing Sources (Uses) | | | | |
| Loan Proceeds | 41,000 | 41,000 | 31,111 | (9,889) |
| Tax Anticipation Note | 300,000 | 300,000 | - | (300,000) |
| Sale of Fixed Assets | 500 | 500 | 5,750 | 5,250 |
| Tax Anticipation Note (Payment) | (300,000) | (300,000) | - | 300,000 |
| Operating Transfers In | 35,000 | 35,000 | 42,579 | 7,579 |
| Operating Transfers (Out) | (37,000) | (37,000) | (76,492) | (39,492) |
| Total Other Financing Uses | <u>39,500</u> | <u>39,500</u> | <u>2,948</u> | <u>(36,552)</u> |
| Excess of Revenues and Other Financing Uses Under Expenditures | <u>(56,523)</u> | <u>(56,523)</u> | <u>(25,598)</u> | <u>30,925</u> |
| Fund Balances - January 1, 2011 | <u>301,190</u> | <u>301,190</u> | <u>301,190</u> | <u>-</u> |
| Fund Balances - December 31, 2011 | <u>\$ 244,667</u> | <u>\$ 244,667</u> | <u>\$ 275,592</u> | <u>\$ 30,925</u> |

BOROUGH OF CLARION
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 LIQUID FUEL FUND (HIGHWAY AID) - BUDGET TO ACTUAL
 FOR THE YEAR ENDED DECEMBER 31, 2011

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|------------------|-----------------|-------------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Intergovernmental Revenue | \$ 116,809 | \$ 116,809 | \$ 119,666 | 2,857 |
| Miscellaneous | - | - | 550 | 550 |
| Interest and Rents | 75 | 75 | 55 | (20) |
| Total Revenues | 116,884 | 116,884 | 120,271 | 3,387 |
| Expenditures: | | | | |
| Current: | | | | |
| Public Works | 115,880 | 115,880 | 109,272 | 6,608 |
| Total Expenditures | 115,880 | 115,880 | 109,272 | 6,608 |
| Excess of Revenues Over Expenditures | 1,004 | 1,004 | 10,999 | 9,995 |
| Other Financing Sources (Uses) | | | | |
| Operating Transfer In | 20,500 | 20,500 | 26,000 | 5,500 |
| Operating Transfer (Out) | (20,500) | (20,500) | (26,000) | (5,500) |
| Gain from Sale of Fixed Assets | - | - | 255 | 255 |
| Total Other Financing Sources (Uses) | - | - | 255 | 255 |
| Excess of Revenues and Other Financing Sources Over Expenditures | 1,004 | 1,004 | 11,254 | 10,250 |
| Fund Balances - January 1, 2011 | 3,520 | 3,520 | 3,520 | - |
| Fund Balances - December 31, 2011 | \$ 4,524 | \$ 4,524 | \$ 14,774 | \$ 10,250 |

BOROUGH OF CLARION
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 RECREATION FUND - BUDGET TO ACTUAL
 FOR THE YEAR ENDED DECEMBER 31, 2011

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|-------------------|-------------------|-------------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Real Estate Taxes | \$ 22,260 | \$ 22,260 | \$ 21,283 | \$ (977) |
| Interest and Rents | 110 | 110 | 4,572 | 4,462 |
| Charges for Services | 25,380 | 25,380 | 53,480 | 28,100 |
| Intergovernmental Revenue | 70,953 | 70,953 | 8,929 | (62,024) |
| Miscellaneous | 500 | 500 | 965 | 465 |
| Refunds of Prior Year Expenditures | 250 | 250 | - | (250) |
| Total Revenues | <u>119,453</u> | <u>119,453</u> | <u>89,229</u> | <u>(30,224)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Recreation | <u>175,905</u> | <u>175,905</u> | <u>78,646</u> | <u>97,259</u> |
| Total Expenditures | <u>175,905</u> | <u>175,905</u> | <u>78,646</u> | <u>97,259</u> |
| Excess of Revenues Under Expenditures | (56,452) | (56,452) | 10,583 | 67,035 |
| Other Financing Uses | | | | |
| Operating Transfers (Out) | - | - | (3,756) | (3,756) |
| Total Other Financing Uses | <u>-</u> | <u>-</u> | <u>(3,756)</u> | <u>(3,756)</u> |
| Excess of Revenues and Other Financing Uses Under Expenditures | <u>(56,452)</u> | <u>(56,452)</u> | <u>6,827</u> | <u>63,279</u> |
| Fund Balances - January 1, 2011 | <u>200,922</u> | <u>200,922</u> | <u>200,922</u> | <u>-</u> |
| Fund Balances - December 31, 2011 | <u>\$ 144,470</u> | <u>\$ 144,470</u> | <u>\$ 207,749</u> | <u>\$ 63,279</u> |

BOROUGH OF CLARION
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 RECYCLING FUND - BUDGET TO ACTUAL
 FOR THE YEAR ENDED DECEMBER 31, 2011

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|-------------------|-------------------|-------------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Real Estate Tax | \$ 12,010 | \$ 12,010 | \$ 12,795 | 785 |
| Intergovernmental Revenue | 293,108 | 293,108 | 280,454 | (12,654) |
| Charges for Services | - | - | 682 | 682 |
| Interest and Rents | 15 | 15 | 34 | 19 |
| Total Revenues | 305,133 | 305,133 | 293,965 | (11,168) |
| Expenditures: | | | | |
| Current: | | | | |
| Public Works | 65,200 | 65,200 | 58,313 | 6,887 |
| Total Expenditures | 65,200 | 65,200 | 58,313 | 6,887 |
| Excess of Revenues Over Expenditures | 239,933 | 239,933 | 235,652 | (4,281) |
| Other Financing Sources (Uses) | | | | |
| Operating Transfer In | 27,650 | 27,650 | 211,950 | 184,300 |
| Operating Transfer (Out) | - | - | (258,550) | (258,550) |
| Total Other Financing Sources (Uses) | 27,650 | 27,650 | (46,600) | (74,250) |
| Excess of Revenues and Other Financing Sources Over Expenditures | 267,583 | 267,583 | 189,052 | (78,531) |
| Fund Balances - January 1, 2011 | 3,520 | 3,520 | 15,807 | 12,287 |
| Fund Balances - December 31, 2011 | \$ 271,103 | \$ 271,103 | \$ 204,859 | \$ (66,244) |

BOROUGH OF CLARION
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 FIRE EQUIPMENT FUND - BUDGET TO ACTUAL
 FOR THE YEAR ENDED DECEMBER 31, 2011

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|-------------------|-------------------|-------------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Real Estate Tax | \$ 62,920 | \$ 62,920 | \$ 61,660 | (1,260) |
| Intergovernmental Revenue | 1,287 | 1,287 | 1,205 | (82) |
| Charges for Services | 8,200 | 8,200 | 3,054 | (5,146) |
| Contributions | - | - | 186,437 | 186,437 |
| Interest and Rents | 1,750 | 1,750 | 3,569 | 1,819 |
| Total Revenues | <u>74,157</u> | <u>74,157</u> | <u>255,925</u> | <u>181,768</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Public Safety | 88,490 | 88,490 | 268,729 | (180,239) |
| Total Expenditures | <u>88,490</u> | <u>88,490</u> | <u>268,729</u> | <u>(180,239)</u> |
| Excess of Revenues Over Expenditures | (14,333) | (14,333) | (12,804) | 1,529 |
| Other Financing Sources (Uses) | | | | |
| Operating Transfer In | - | - | - | - |
| Operating Transfer (Out) | - | - | - | - |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess of Revenues and Other Financing Sources Over Expenditures | <u>(14,333)</u> | <u>(14,333)</u> | <u>(12,804)</u> | <u>1,529</u> |
| Fund Balances - January 1, 2011 | <u>152,027</u> | <u>152,027</u> | <u>152,027</u> | <u>-</u> |
| Fund Balances - December 31, 2011 | <u>\$ 137,694</u> | <u>\$ 137,694</u> | <u>\$ 139,223</u> | <u>\$ 1,529</u> |

BOROUGH OF CLARION
 REQUIRED SUPPLEMENTARY INFORMATION
 GENERAL EMPLOYEES PENSION PLAN
 DECEMBER 31, 2011

SCHEDULE OF FUNDING PROGRESS

| Year Ending January 1 | Actuarial Valuation Date | (1) Actuarial Value Of Assets | (2) Actuarial Accrued Liability (AAL) - Entry Age | (3) Unfunded AAL (UAAL) | (4) Funded Ratio | (5) Covered Payroll | (6) UAAL as a % of Covered Payroll |
|-----------------------------|--------------------------------|-------------------------------------|---|----------------------------------|---------------------|---------------------------|---|
| 2001 | 1/1/2001 | \$ 775,294 | \$ 754,240 | \$(21,054) | 102.8% | \$ 257,350 | N/A |
| 2003 | 1/1/2003 | 765,648 | 968,836 | 203,188 | 79.0 | 257,609 | 78.9% |
| 2005 | 1/1/2005 | 950,643 | 1,100,736 | 150,093 | 86.4 | 287,910 | 52.1 |
| 2007 | 1/1/2007 | 1,150,865 | 1,264,585 | 113,720 | 91.0 | 300,365 | 37.9 |
| 2009 | 1/1/2009 | 1,069,761 | 1,369,611 | 299,850 | 78.1 | 305,825 | 98.0 |
| 2011 | 1/1/2011 | 1,179,775 | 1,416,625 | 236,850 | 83.3 | 253,051 | 93.6 |

BOROUGH OF CLARION
 REQUIRED SUPPLEMENTARY INFORMATION
 POLICE PENSION PLAN
 DECEMBER 31, 2011

SCHEDULE OF FUNDING PROGRESS

| Year Ending January 1 | Actuarial Valuation Date | (1) Actuarial Value Of Assets | Actuarial Accrued Liability (AAL) — Entry Age | (3) Unfunded AAL (UAAAL) | (4) Funded Ratio | (5) Covered Payroll | (6) UAAAL as a % of Covered Payroll |
|-----------------------------|--------------------------------|-------------------------------------|--|-----------------------------------|---------------------|---------------------------|--|
| 2001 | 1/1/2001 | \$ 2,085,026 | \$ 1,176,707 | \$ (908,319) | 177.2% | \$ 276,568 | N/A |
| 2003 | 1/1/2003 | 1,911,677 | 1,461,773 | (449,904) | 130.8 | 340,714 | N/A |
| 2005 | 1/1/2005 | 2,241,319 | 1,666,363 | (574,956) | 134.5 | 328,135 | N/A |
| 2007 | 1/1/2007 | 2,482,485 | 1,855,837 | (626,648) | 133.8 | 374,833 | N/A |
| 2009 | 1/1/2009 | 2,242,198 | 2,065,976 | (176,222) | 108.5 | 398,981 | N/A |
| 2011 | 1/1/2011 | 2,356,303 | 2,282,521 | (73,782) | 103.2 | 409,468 | N/A |

OTHER
SUPPLEMENTARY
INFORMATION

BOROUGH OF CLARION
 COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS
 DECEMBER 31, 2011

| | Street Lighting Fund | Library Fund | Storm Sewer Fund | Insurance Expense Fund | Pension Fund | Community Development Fund | Housing Rehab Fund | Total Nonmajor Governmental Funds |
|--|----------------------|-------------------|------------------|------------------------|------------------|----------------------------|--------------------|-----------------------------------|
| Assets | | | | | | | | |
| Cash and cash equivalents | \$ 12,987 | \$ 2,245 | \$ 385 | \$ 5,383 | \$ 2,150 | \$ 29,988 | \$ 12,380 | \$ 65,518 |
| Investments | - | 127,188 | - | - | - | - | - | 127,188 |
| Accounts receivable | - | 2,764 | - | - | - | 2,355 | - | 5,119 |
| Taxes receivable | 10,126 | 5,984 | - | - | - | - | - | 16,110 |
| Due from Other Funds | 5,287 | - | 2,015 | - | 13,748 | - | - | 21,050 |
| Total Assets | \$ 28,400 | \$ 138,181 | \$ 2,400 | \$ 5,383 | \$ 15,898 | \$ 32,343 | \$ 12,380 | \$ 234,985 |
| Liabilities and Fund Balance | | | | | | | | |
| Liabilities: | | | | | | | | |
| Accounts payable | \$ 4,751 | \$ 2,622 | \$ - | \$ 5,040 | \$ - | \$ 2,355 | \$ - | \$ 14,768 |
| Due to other funds | 5,690 | - | - | 343 | - | - | - | 6,033 |
| Due to other governmental units | - | - | - | - | - | 29,985 | - | 29,985 |
| Deferred revenue | 7,322 | 4,239 | - | - | - | 3 | - | 11,564 |
| Total Liabilities | 17,763 | 6,861 | - | 5,383 | - | 32,343 | - | 62,350 |
| Fund Balances: | | | | | | | | |
| Restricted | | | | | | | | |
| Administration | - | - | - | - | 15,898 | - | - | 15,898 |
| Public Works | 10,637 | - | - | - | - | - | - | 10,637 |
| Community Development | - | - | - | - | - | - | 12,380 | 12,380 |
| Culture and Recreation | - | 131,320 | - | - | - | - | - | 131,320 |
| Capital Project Funds | - | - | 2,400 | - | - | - | - | 2,400 |
| Total Fund Balance | 10,637 | 131,320 | 2,400 | - | 15,898 | - | 12,380 | 172,635 |
| Total Liabilities and Fund Balances | \$ 28,400 | \$ 138,181 | \$ 2,400 | \$ 5,383 | \$ 15,898 | \$ 32,343 | \$ 12,380 | \$ 234,985 |

BOROUGH OF CLARION
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2011

| | Street Lighting Fund | Library Fund | Storm Sewer Fund | Insurance Expense Fund | Pension Fund | Community Development Fund | Housing Rehab Fund | Total Nonmajor Governmental Funds |
|---|----------------------|--------------|------------------|------------------------|--------------|----------------------------|--------------------|-----------------------------------|
| Revenues: | | | | | | | | |
| Real estate taxes | \$ 63,054 | \$ 37,972 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 101,026 |
| Intergovernmental revenues | 1,219 | 721 | - | - | 169,723 | 50,387 | - | 222,050 |
| Charges for Services | - | 2,622 | 1,173 | 39,344 | - | - | - | 43,139 |
| Contributions | - | - | - | - | - | - | - | - |
| Interest and rents | 15 | 3,558 | 4 | 4 | 49 | 1 | - | 3,631 |
| Total Revenues | \$ 64,288 | \$ 44,873 | \$ 1,177 | \$ 39,348 | \$ 169,772 | \$ 50,388 | \$ - | \$ 369,846 |
| Expenditures: | | | | | | | | |
| Current: | | | | | | | | |
| Administration | - | - | - | 45,491 | 77,631 | - | - | 123,122 |
| Public Safety | - | - | - | - | 92,140 | - | - | 92,140 |
| Public Works | 59,208 | - | 9,877 | - | - | 64,918 | - | 134,003 |
| Culture and Recreation | - | 51,622 | - | - | - | - | - | 51,622 |
| Total Expenditures | \$ 59,208 | \$ 51,622 | \$ 9,877 | \$ 45,491 | \$ 169,771 | \$ 64,918 | \$ - | \$ 400,887 |
| Excess of Revenues Over Expenditures | 5,080 | (6,749) | (8,700) | (6,143) | 1 | (14,530) | - | (31,041) |
| Other Financing Sources (Uses): | | | | | | | | |
| Operating transfers in | 3,000 | - | 9,490 | 6,143 | 25,719 | 14,530 | - | 58,882 |
| Operating transfers out | (3,000) | - | - | - | (9,822) | - | - | (12,822) |
| Total Other Financing Sources (Uses) | - | - | 9,490 | 6,143 | 15,897 | 14,530 | - | 46,060 |
| Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | 5,080 | (6,749) | 790 | - | 15,898 | - | - | 15,019 |
| Fund Balance | | | | | | | | |
| Beginning of year | 5,557 | 138,069 | 1,610 | - | - | - | 12,380 | 157,616 |
| End of year | \$ 10,637 | \$ 131,320 | \$ 2,400 | \$ - | \$ 15,898 | \$ - | \$ 12,380 | \$ 172,635 |

[Illegible text]