

BOROUGH OF CLARION
CLARION, PENNSYLVANIA
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013

BOROUGH OF CLARION
YEAR ENDED DECEMBER 31, 2013

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Zelenkofske Axelrod LLC

INDEPENDENT AUDITORS' REPORT

Borough Council
Borough of Clarion
Clarion, Pennsylvania

Report on the Financial Statements

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, PENNSYLVANIA, (Borough) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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Opinion

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, as of December 31, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of GASB Statements

As described in Note 1 to the financial statements, in 2013 the Borough adopted the provisions of Governmental Accounting Standards Board Statements No. 61, "The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34", Statement No. 65, "Items Previously Reported as Assets and Liabilities" and Statement No. 66, "Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62".

Other Matters

Required Supplementary Information

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 4 through 14 and 45 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 regarding 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.

Zelenkofske Axelrod LLC

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Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough's basic financial statements. The combining special revenue fund financial statements on pages 52 and 53 are not a required part of the financial statements.

The combining special revenue 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 combining special revenue fund financial statements have been subjected to the auditing procedures applied by us 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 combining special revenue fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Zelenkofske Axelrod LLC

ZELENKOFKSKE AXELROD LLC

Pittsburgh, Pennsylvania
October 30, 2014

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, 2013. Prior year comparative information is presented.

FINANCIAL HIGHLIGHTS

- The Borough's total Net Position at the end of 2013 was \$3,559,968.
- The General Fund unassigned Fund Balance was \$480,637 at the end of 2013.
- Total Governmental Funds Revenues of \$2,230,032 were collected in 2013, of which \$1,905,909 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 Fire Equipment Fund and the Liquid Fuels Fund.

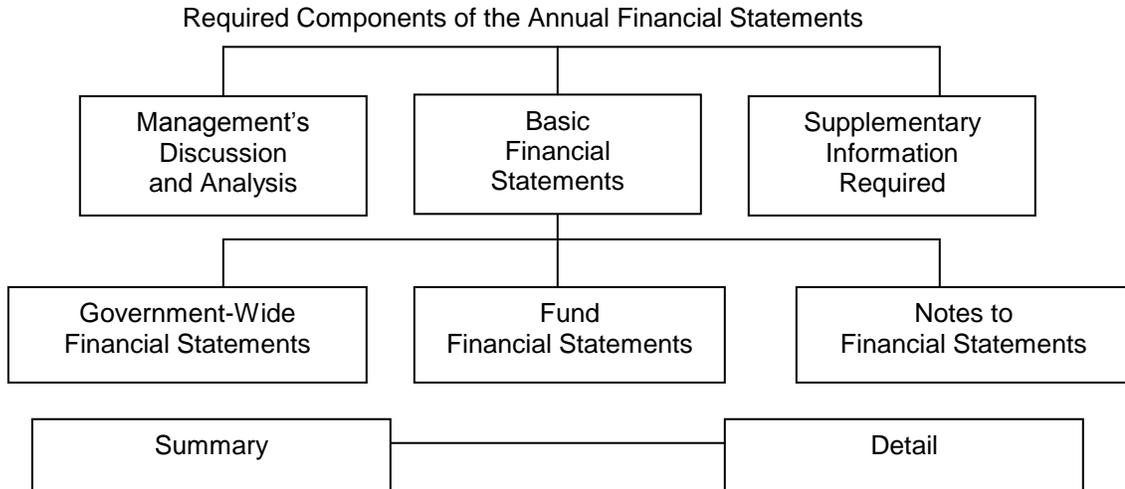
The basic financial statements present two different views of the Borough.

- *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 Position -Statement of Activities	-Balance Sheet -Statement of Revenues, Expenditures and Changes in Fund Balance	-Statement of Fiduciary Net Position -Statement of Changes in Fiduciary net Position
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 position includes all the Borough's assets and liabilities, except fiduciary funds, with the difference between the two reported as net position. 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 position 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 position 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 position is one way to measure the Borough's financial position. Over time, increases or decreases in the Borough's net position 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 position 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 Position:

- 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 position balances as follows:
 - Net investment in capital assets
 - Restricted Net position is Net position 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 position is Net position that does 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 Position 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, and Fire Equipment 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 Position and a statement of changes in fiduciary Net Position. 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 Position

The Borough's total assets were \$3,777,126 at December 31, 2013. Of this amount \$1,495,425 was capital assets at December 31, 2013.

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 Position**

	Governmental Activities 2012	Governmental Activities 2013	Changes from 2012 to 2013
Capital Assets	\$ 1,591,126	\$ 1,495,425	\$ (95,701)
Other Assets	2,372,244	2,281,701	(90,543)
Total Assets	3,963,370	3,777,126	(186,244)
Liabilities	296,098	217,158	(78,940)
Net Position:			
Net Investment in			
Capital Assets	1,538,177	1,443,667	(94,510)
Restricted Net Position	1,665,180	1,577,162	(88,018)
Unrestricted Net Position	463,915	539,139	75,224
Total Net Position	\$ 3,667,272	\$ 3,559,968	\$ (107,304)

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The following statement of activities represents changes in Net Position for the years ended December 31, 2012 and 2013. 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 2012	Governmental Activities 2013	Changes from 2012 to 2013	Percentage Change
Program Revenues:				
Charges for Services	\$ 587,452	\$ 567,439	\$ (20,013)	-3.4%
Operating Grants and Contributions	422,626	334,135	(88,491)	-20.9%
General Revenues:				
Real Estate Taxes	821,745	822,591	846	0.1%
Act 511 Taxes	452,951	470,314	17,363	3.8%
Interest Revenue	39,500	31,685	(7,815)	-19.8%
Sale of Capital Assets	5,235	14,460	9,225	63.8%
Total Revenues	2,329,509	2,240,624	(88,885)	-3.8%
Expenses:				
General Government	261,474	261,473	(1)	0.0%
Public Safety	1,045,074	1,108,953	63,879	6.1%
Public Works	910,262	815,653	(94,609)	-10.4%
Culture and Recreation	254,831	160,249	(94,582)	-37.1%
Interest on Long Term Debt	150	1,600	1,450	966.7%
Total Expenses	2,471,791	2,347,928	(123,863)	-5.0%
Changes in Net Position	\$ (142,282)	\$ (107,304)	\$ 34,978	-24.6%

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 2013, revenue from real estate taxes and Act 511 taxes was \$822,591 and \$470,314 respectively

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

	2013	
	Total Cost of Services	Net Cost of Services
General Government	\$ 261,473	\$ 145,878
Public Safety	1,108,953	(810,595)
Public Works	815,653	(664,100)
Culture and Recreation	160,249	(115,937)
Interest on Long Term Debt	1,600	(1,600)
Total	<u>\$ 2,347,928</u>	<u>\$ (1,446,354)</u>

The Borough relied on real estate taxes, earned income taxes and other general revenues to fund 61.6% of its governmental activities in 2013.

Capital Assets

The Borough's investment in capital assets at December 31, 2013, net of accumulated depreciation, was \$1,495,425. Capital assets consist primarily of land, buildings, equipment and vehicles. The following is a summary of capital assets at December 31, 2013:

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

	Governmental Activities 2012	Governmental Activities 2013	Changes from 2012 to 2013
Land	\$ 229,794	\$ 229,794	\$ -
Buildings and Improvements	2,387,695	2,418,478	30,783
Equipment	647,879	647,879	-
Vehicles	614,658	610,476	(4,182)
Accumulated Depreciation	<u>(2,288,900)</u>	<u>(2,411,202)</u>	<u>(122,302)</u>
Total Net Capital Assets	<u>\$ 1,591,126</u>	<u>\$ 1,495,425</u>	<u>\$ (95,701)</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 2013 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	\$ 52,949	\$ 42,099	\$ 43,290	\$ 51,758
Compensated Absences	97,006	15,660	14,125	98,541
Total Long Term Debt	<u>\$ 149,955</u>	<u>\$ 57,759</u>	<u>\$ 57,415</u>	<u>\$ 150,299</u>

In 2013, the Borough purchased a police vehicle for \$40,212. The loan and note payable balance as of December 31, 2013 is \$51,758.

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 56.7% of 2013 Governmental revenues. Taxes increased in 2013 by \$26,495. The 2013 mill rate stayed at 20.50. The General Fund mill rate increased from 15.545 to 15.745 mills. Street Light fund decreased from 1.35 to 1.30 mills. The Recreation Fund remained the same at .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 .50 to .35 mills. Intergovernmental revenue decreased in 2013 by \$122,250 to a decrease in grant funds. Licenses and permits increased in 2013 by \$30,741.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Governmental fund revenues by source at December 31, 2012 and 2013 were as follows:

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

Revenues and other financing sources:	2012	2013	Variance	Percentage of Change
Taxes	\$ 1,270,278	\$ 1,296,773	\$ 26,495	2.1%
Licenses, fees and permits	165,588	196,329	30,741	18.6%
Charges for services	215,167	201,126	(14,041)	-6.5%
Fines and forfeits	129,917	110,472	(19,445)	-15.0%
Intergovernmental	422,626	300,376	(122,250)	-28.9%
Interest and rents	39,500	32,825	(6,675)	-16.9%
Miscellaneous income	51,578	58,958	7,380	14.3%
Contributions	25,202	33,173	7,971	31.6%
Loan proceeds	54,611	42,099	(12,512)	-22.9%
Sale of capital assets	5,235	14,460	9,225	176.2%
Total revenues and other financing sources	\$ 2,379,702	\$ 2,286,591	\$ (93,111)	-3.9%

GOVERNMENTAL FUND EXPENDITURES decreased 4.4% or \$105,923 during 2013. The Administration department of the general government decreased .6% or \$1,537. There was no Borough Manager during 2013. The Public Works program decreased 15.4% or \$135,406 from 2012. The Public Works decrease was mainly due to less expenditures in the Capital Project Fund and CDBG Fund in 2013. The annual paving project expenditures in the Capital Project Fund were \$175,661 for 2012 as compared to \$111,520 in 2013. In 2012 the CDBG program cost was \$56,072 as compared to \$28,283 in 2013. Culture and Recreation decreased in 2013 by \$93,980. In 2012, the Capital expenditures included the Toby Boat Launch Project in the amount of \$101,400. The Public Safety expenditures increased in 2013 by \$125,155 or 12.1%. This was mainly due to the Police department increase in 2013 by \$87,790. The Public Safety function alone accounts for 50.75% of total governmental fund expenditures. Public Works accounts for 32.5% and Administration accounts for 11.02% of the total governmental fund expenditures. Culture and Recreation is 5.69% of total governmental fund expenditures.

Governmental fund expenditures by function at December 31, 2012 and 2013 were as follows:

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

Expenditures	2012	2013	Net Change	% of Change
General Government	\$ 254,827	\$ 253,290	\$ (1,537)	-0.6%
Public Safety	1,036,652	1,161,807	125,155	12.1%
Public Works	879,508	744,102	(135,406)	-15.4%
Culture and Recreation	224,179	130,199	(93,980)	-41.9%
Debt Service	150	-	(150)	-100.0%
Miscellaneous	85	80	(5)	-5.9%
Total Expenditures	\$ 2,395,401	\$ 2,289,478	\$ (105,923)	-4.4%

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

GOVERNMENTAL FUND BALANCES

Ending Balances for Governmental Funds at December 31, 2013:

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

Funds	Governmental Funds
General Fund	\$ 480,637
Liquid Fuel Fund	30,966
Recreation Fund	192,280
Capital Projects	1,073,691
Fire Equipment Fund	136,179
Other Governmental Funds	144,046
Total	\$ 2,057,799

Budgetary Highlights – The actual General Fund expenditures were \$64,877 under the 2013 Budget. The excess of revenues and other financing uses under expenditures were \$85,080.

Economic Conditions – The 2013 assessed valuation totals \$141,014,464 of which 71.5% (\$100,881,406) is non-taxable and 28.5% (\$40,133,085) 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 kept the tax millage in the 2014 Budget the same at 20.50 mills. The 2014 mills rate for the various funds are: General Fund mills decreased from 15.745 mills to 15.545 mills, Street Lighting stayed the same at 1.30 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 .35 mills to .55 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
Secretary/Treasurer
1400 East Main Street
Clarion, PA 16214

BOROUGH OF CLARION
STATEMENT OF NET POSITION
DECEMBER 31, 2013

Assets	Governmental Activities
Current Assets:	
Cash and cash equivalents	\$ 506,420
Investments	1,449,441
Accounts receivable	53,559
Taxes receivable, net	200,797
Total Current Assets	2,210,217
Noncurrent Assets:	
Land	229,794
Buildings and Improvements	2,418,478
Equipment	647,879
Vehicles	610,476
Accumulated depreciation	(2,411,202)
Total Capital Assets	1,495,425
Net Pension Asset	71,484
Total Noncurrent Assets	1,566,909
Total Assets	\$ 3,777,126
Liabilities	
Current Liabilities:	
Accounts payable	\$ 45,752
Other accrued liabilities	21,107
Current portion of long-term debt	33,527
Total Current Liabilities	100,386
Noncurrent Liabilities:	
Compensated absences	98,541
Non-current portion of long-term debt	18,231
Total Noncurrent Liabilities	116,772
Total Liabilities	217,158
Net Position	
Net Investment in Capital Assets	1,443,667
Restricted	
Program	503,471
Capital Projects	1,073,691
Unrestricted	539,139
Total Net Position	3,559,968
Total Liabilities and Net Position	\$ 3,777,126

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

BOROUGH OF CLARION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

	Program Revenues			Net (Expenses) Revenue and Changes in Net Position
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	
Functions/Programs				
Primary Government:				
Governmental Activities:				
General Government - Administration	\$ 261,473	\$ 326,012	\$ 81,339	\$ 145,878
Public Safety	1,108,953	184,692	113,666	(810,595)
Public Works	815,653	13,347	138,206	(664,100)
Culture and Recreation	160,249	43,388	924	(115,937)
Interest Expense	1,600	-	-	(1,600)
	2,347,928	567,439	334,135	(1,446,354)
Total Governmental Activities				
	\$ 2,347,928	\$ 567,439	\$ 334,135	(1,446,354)
Total Primary Government				
	\$ 2,347,928	\$ 567,439	\$ 334,135	(1,446,354)
		General Revenues:		
		Taxes:		
		Real Estate	822,591	
		Act 511	470,314	
		Interest Revenue	31,685	
		Sale of Capital Assets	14,460	
		Total General Revenues	1,339,050	
		Change in Net Position	(107,304)	
		Net Position - Beginning	3,667,272	
		Net Position - Ending	\$ 3,559,968	

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

BOROUGH OF CLARION
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2013

	General Fund	Liquid Fuel Fund	Recreation Fund	Fire Equipment Fund	Capital Project Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<u>Assets</u>							
Cash and cash equivalents	\$ 386,765	\$ 35,035	\$ 15,318	\$ 23,143	\$ 13,612	\$ 32,547	\$ 506,420
Investments	-	-	161,766	113,798	1,060,079	113,798	1,449,441
Accounts Receivable	35,559	-	18,000	-	-	-	53,559
Taxes receivable	170,746	-	3,056	9,962	-	17,033	200,797
Total Assets	\$ 593,070	\$ 35,035	\$ 198,140	\$ 146,903	\$ 1,073,691	\$ 163,378	\$ 2,210,217
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>							
<u>Liabilities:</u>							
Accounts payable	\$ 26,588	\$ 4,069	\$ 3,794	\$ 3,988	\$ -	\$ 7,313	\$ 45,752
Other accrued liabilities	21,107	-	-	-	-	-	21,107
Total Liabilities	47,695	4,069	3,794	3,988	-	7,313	66,859
<u>Deferred Inflows of Resources:</u>							
Unavailable Revenue - Property Taxes	64,738	-	2,066	6,736	-	12,019	85,559
<u>Fund Balances:</u>							
<u>Restricted</u>							
Administration	-	-	-	-	-	4,300	4,300
Public safety	-	-	-	136,179	-	-	136,179
Public works	-	30,966	-	-	-	18,645	49,611
Culture and Recreation	-	-	192,280	-	-	121,101	313,381
Capital Project Funds	-	-	-	-	1,073,691	-	1,073,691
Unassigned	480,637	-	-	-	-	-	480,637
Total Fund Balances	480,637	30,966	192,280	136,179	1,073,691	144,046	2,057,799
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 593,070	\$ 35,035	\$ 198,140	\$ 146,903	\$ 1,073,691	\$ 163,378	\$ 2,210,217

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 POSITON
DECEMBER 31, 2013

Total fund balances of governmental funds		\$ 2,057,799
Amount reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Those assets consist of:		
Land	\$ 229,794	
Buildings and improvements, net of \$1,513,358 accumulated depreciation.	905,120	
Equipment and Vehicles, net of \$897,844 accumulated depreciation.	<u>360,511</u>	
Total Capital Assets		1,495,425
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.		
		85,559
The net pension asset resulting from contributions in excess of the annual required contribution are not financial resources and therefore are not reported in the funds.		
		71,484
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 Position. Long-term liabilities at year-end consist of:		
Long-term debt	(51,758)	
Compensated Absences	<u>(98,541)</u>	
		<u>(150,299)</u>
Total net positon of governmental activities		<u>\$ 3,559,968</u>

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

BOROUGH OF CLARION
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	General Fund	Liquid Fuel Fund	Recreation Fund	Fire Equipment Fund	Capital Project Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues:							
Real estate taxes	\$ 633,143	\$ -	\$ 20,350	\$ 65,795	\$ -	\$ 107,171	\$ 826,459
Act 511 taxes	470,314	-	-	-	-	-	470,314
Licenses and permits	196,329	-	-	-	-	-	196,329
Fines and forfeitures	110,472	-	-	-	-	-	110,472
Intergovernmental revenues	38,315	107,448	313	1,022	-	153,278	300,376
Charges for services	131,636	-	24,625	8,200	-	36,665	201,126
Interest and rents	1,539	45	4,224	3,083	20,841	3,093	32,825
Contributions	-	-	500	32,673	-	-	33,173
Miscellaneous	27,398	124	18,263	-	13,173	-	58,958
Total Revenues	1,609,146	107,617	68,275	110,773	34,014	300,207	2,230,032
Expenditures:							
Current:							
Administration	253,290	-	-	-	-	-	253,290
Public safety	935,451	-	-	115,524	-	110,832	1,161,807
Public works	333,149	102,853	-	-	111,521	196,579	744,102
Culture and Recreation	-	-	81,724	-	-	48,475	130,199
Miscellaneous	80	-	-	-	-	-	80
Total Expenditures	1,521,970	102,853	81,724	115,524	111,521	355,886	2,289,478
Excess (Deficiency) of Revenues Over Expenses	87,176	4,764	(13,449)	(4,751)	(77,507)	(55,679)	(59,446)
Other Financing Sources (Uses):							
Sale of capital assets	9,850	4,610	-	-	-	-	14,460
Loan proceeds	42,099	-	-	-	-	-	42,099
Operating transfers in	-	-	27,369	-	35,600	26,676	89,645
Operating transfers out	(54,045)	-	-	-	-	(35,600)	(89,645)
Total Other Financing Sources (Uses)	(2,096)	4,610	27,369	-	35,600	(8,924)	56,559
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	85,080	9,374	13,920	(4,751)	(41,907)	(64,603)	(2,887)
Fund Balance							
Beginning of year	395,557	21,592	178,360	140,930	1,115,598	208,649	2,060,686
End of year	\$ 480,637	\$ 30,966	\$ 192,280	\$ 136,179	\$ 1,073,691	\$ 144,046	\$ 2,057,799

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

BOROUGH OF CLARION
 RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND
 CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2013

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

Net change in fund balances - total governmental funds \$ (2,887)

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 (\$70,995) was exceeded by depreciation (\$166,696) in the current period.

Capital Additions	70,995		
Depreciation	(166,696)		
Net Change in Capital Assets	(95,701)		(95,701)

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 12/31/12 to 12/31/13.

(3,868)

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.

(4,504)

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 Position, 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 Position. 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:

Debt issued or incurred:		
Principal Repayments		43,290
Loan Proceeds		(42,099)

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 the timing of the related cash flows.

Compensated Absences			(1,535)
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Net change in governmental activities net position \$ (107,304)

BOROUGH OF CLARION
STATEMENT OF FIDUCIARY NET POSITON
DECEMBER 31, 2013

	General Employees Defined Benefit <u>Pension</u>	Police <u>Pension</u>	<u>Total</u>
Assets			
Cash	\$ 2,038	\$ 17,527	\$ 19,565
Investments	1,464,864	3,085,507	4,550,371
Define Contribution Portion:			
Cash Equivalents	6,524	-	6,524
Investments Mutual Funds	<u>6,777</u>	<u>-</u>	<u>6,777</u>
Total Assets	<u>\$ 1,480,203</u>	<u>\$ 3,103,034</u>	<u>\$ 4,583,237</u>
Liabilities			
Accounts Payable	<u>\$ 226</u>	<u>\$ 657</u>	<u>\$ 883</u>
Total Liabilities	<u>226</u>	<u>657</u>	<u>883</u>
Net Position Held in Trust for Employees' Pension Benefits	<u>\$ 1,479,977</u>	<u>\$ 3,102,377</u>	<u>\$ 4,582,354</u>

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

BOROUGH OF CLARION
STATEMENT OF CHANGES IN FIDUCIARY NET POSITON
FOR THE YEAR ENDED DECEMBER 31, 2013

	General Employee Defined Benefit Pension	Police Pension	Total
Additions:			
Contributions:			
Member	\$ 10,616	\$ 23,143	\$ 33,759
Municipal	25,880	-	25,880
Commonwealth	37,589	59,520	97,109
Total Contributions	<u>74,085</u>	<u>82,663</u>	<u>156,748</u>
Investment Income:			
Net Appreciation in Fair Value of Investments	187,854	471,554	659,408
Interest	1	2	1
Dividend	24,926	50,926	75,852
Investment Income	<u>212,781</u>	<u>522,482</u>	<u>735,261</u>
Total Additions	<u>286,866</u>	<u>605,145</u>	<u>892,009</u>
Deductions:			
Administrative expenses	7,968	7,154	15,122
Retirement Benefits	90,233	91,670	181,903
Total Deductions	<u>98,201</u>	<u>98,824</u>	<u>197,025</u>
Net Increase	188,665	506,321	694,984
Net Position Held in Trust for Employees' Pension Benefits:			
Beginning of Year	<u>1,291,312</u>	<u>2,596,056</u>	<u>3,887,368</u>
End of Year	<u>\$ 1,479,977</u>	<u>\$ 3,102,377</u>	<u>\$ 4,582,352</u>

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

BOROUGH OF CLARION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

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, culture and recreation 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. 61, "The Financial Reporting Entity: Omnibus – and amendment of GASB Statements No. 14 and No. 39". 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 position 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, 2013

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 an other 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, 2013

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 services 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.

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.

BOROUGH OF CLARION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013

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

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

1. Cash and Cash Equivalents

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, 2013.

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.

Capital 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, 2013

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

D) Assets, Liabilities, and Net Position 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 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 Revenues

Revenues that are received but not earned are recorded as unearned revenue in the Borough's financial statements. In the Borough's governmental funds, unearned revenues arise when the potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Borough has legal claim to the resources, the liability for unearned revenue is removed from the governmental funds' balance sheet and revenue is recognized.

7. Deferred Inflows of Resources

In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government only has one type of item that qualified for reporting in this category. Under the modified accrual basis of accounting, the governmental funds report unavailable revenue from property taxes as a deferred inflow of resources.

BOROUGH OF CLARION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013

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

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

8. Net Position/Fund Balances

The government-wide financial statements utilize a Net Position presentation. Net Position is categorized as net investment in capital assets, restricted and unrestricted.

- *Net Investment in Capital Assets*, – This category groups all capital assets into one component of Net Position. Accumulated 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 Position* – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Position* – This category represents net position of the borough not restricted for any project or other purpose.

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 fund balance 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 fund balance 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, 2013

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

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

8. Net Position/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. The Borough's policy is to apply expenses against restricted and then unrestricted net position.

9. 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.

10. 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, 2013

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

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

11. Adoption of Governmental Accounting Standards

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 adoption of this statement had no effect 2013 financial statements.

In March 2012, the GASB issued Statement No. 65, "*Items Previously Reported as Assets and Liabilities*". The adoption of this statement resulted in the reclassification of certain items that were reported as liabilities in previous years now being reported as deferred inflows of resources on the fund level financial statements.

In March 2012, the GASB issued Statement No. 66, "*Technical Corrections - 2012- an amendment of GASB Statements No. 10 and No. 62*". The adoption of this statement had no effect 2013 financial statements.

12. Pending Changes in Accounting Principles

In June 2012, the GASB issued Statement No. 67, "*Financial Reporting for Pension Plans – amendment of GASB Statement No. 25*". The Borough of Clarion is required to adopt Statement No. 67 for its calendar year 2014 financial statements.

In June 2012, the GASB issued Statement No. 68, "*Financial Reporting for Pension Plans – amendment of GASB Statement No. 27*". The Borough of Clarion is required to adopt Statement No. 68 for its calendar year 2015 financial statements.

In January 2013, the GASB issued Statement No. 69, "*Government Combinations and Disposals of Government Operations*". The Borough of Clarion is required to adopt Statement No. 69 for its calendar year 2014 financial statements.

In April 2013, the GASB issued Statement No. 70, "*Accounting and Financial Reporting for Non-exchange Financial Guarantees*" The Borough of Clarion is required to adopt Statement No. 70 for its calendar year 2014 financial statements.

In November 2013, the GASB issued Statement No.71, "*Pension Transition for Contributions made subsequent to the measurement date – amendment of GASB Statement No. 68.*" The Borough of Clarion is required to adopt Statement No. 61 for its calendar year 2015 financial statements.

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

BOROUGH OF CLARION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013

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

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 2013 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, 2013

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, 2013 were as follows:

Deposits - Governmental Activities	
Cash	\$ 506,420
Investments	
Certificates of Deposits	1,449,441
Pension	
Deposits - Pension Trust Funds	
Cash	\$ 26,089
Investments - Pension Trust Funds	
Mutual Funds - Equity	<u>4,557,148</u>
Total Pension Investments	<u>4,557,148</u>
Total Pension Deposits and Investments	<u>\$ 4,583,237</u>

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

<u>Investment Type</u>	<u>Value</u>	<u>Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>Than 10</u>
Certificate of Deposit	\$ 1,449,441	\$ -	\$ 1,449,441	\$ -	\$ -

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, 2013, the Pension Funds investments in fixed income mutual funds were not rated by Standard & Poor's.

Custodial Credit Risk. For deposits and investments, including the pension funds, 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, 2013 were \$1,992,206 with a book value of \$1,981,950. Of the Borough's \$1,992,206 in deposits, \$1,216,117 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, 2013. The Borough does not have a formal investment policy related to custodial credit risk.

BOROUGH OF CLARION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013

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 2013 are recorded as receivables, net of estimated uncollectibles. The net receivables collected during 2013 and expected to be collected within the first sixty (60) days of 2013 are recognized as revenue in 2013. 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 2013, was 15.745 mills for general purposes, .975 for the library, 1.63 for fire equipment, 1.30 for street lights, .5 mills for recreation, and .35 mills for recycling fund purposes on a total Borough assessed valuation of \$40,133,058.

BOROUGH OF CLARION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013, 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	2,387,695	30,783	-	2,418,478
Equipment	647,879	-	-	647,879
Vehicles	614,658	40,212	(44,394)	610,476
Total capital assets, being depreciated	3,650,232	70,995	(44,394)	3,676,833
Less accumulated depreciation for:				
Buildings and Improvements	(1,447,233)	(66,125)	-	(1,513,358)
Equipment	(567,056)	(26,018)	-	(593,074)
Vehicles	(274,611)	(74,553)	44,394	(304,770)
Total accumulated depreciation	(2,288,900)	(166,696)	44,394	(2,411,202)
Total capital assets, being depreciated, net	1,361,332	(95,701)	-	1,265,631
Total capital assets, net	\$ 1,591,126	\$ (95,701)	\$ -	\$ 1,495,425

BOROUGH OF CLARION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013

NOTE 4: CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions/programs as follows:

Governmental Activities

General government - Administrative	\$ 4,021
Public safety	50,346
Public works	82,279
Culture and recreation	<u>30,050</u>
Total Depreciation Expense, Governmental Activities	<u>\$ 166,696</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, 2013, 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	4	7
Terminated employees entitled to benefits but not yet receiving them	2	1
Active employees:	<u>6</u>	<u>8</u>
Total	<u>12</u>	<u>16</u>

BOROUGH OF CLARION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013

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 assets" 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 assets, which are actuarially determined on a biannual basis, have been calculated as of January 1, 2013. 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 January 1, 2013, the most recent actuarial valuation date, the General Employees' Pension Plan was 82.4% funded and the Police Pension Plan was 96.4% funded.

BOROUGH OF CLARION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013

NOTE 5: EMPLOYEES RETIREMENT PLANS (CONTINUED)

For the General Employees' Pension Plan, the actuarial accrued liability for the benefits was \$1,541,379, and the actuarial value of the assets was \$1,270,399, resulting in an unfunded actuarial accrued liability (UAAL) of \$270,980. The actuarial value of the assets as a percentage of the actuarial accrued liability was 82.4%. The covered payroll was \$235,125, and the ratio of the UAAL to the covered payroll was 115.2%. For the Police Pension Plan, the actuarial accrued liability for the benefits was \$2,653,004, and the actuarial value of the assets was \$2,558,313, resulting in an excess actuarial accrued liability (UAAL) of \$94,691. The actuarial value of the assets as a percentage of the actuarial accrued liability was 96.4%. The covered payroll was \$435,576, and the ratio of the UAAL to the covered payroll was 21.7%.

The summary of annual pension cost and net pension assets (NPA) was as follows:

	General Employees'	Police	Total
Annual Required Contribution (ARC)	\$ 58,428	\$ 59,520	\$ 117,948
Interest on NPA	(3,873)	(1,827)	(5,700)
Adjustment to the ARC	<u>7,586</u>	<u>2,618</u>	<u>10,204</u>
Annual Pension Cost	<u>62,141</u>	<u>60,311</u>	<u>122,452</u>
Contributions made	58,428	59,520	117,948
Change in NPA	(3,713)	(791)	(4,504)
NPA, Beginning of Year	<u>51,635</u>	<u>24,353</u>	<u>75,988</u>
NPA, End of Year	<u>\$ 47,922</u>	<u>\$ 23,562</u>	<u>\$ 71,484</u>

BOROUGH OF CLARION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013

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	2011	\$ 61,571	121%
	2012	62,989	102%
	2013	58,428	100%
Police Pension Plan	2011	\$ 38,452	133%
	2012	55,269	100%
	2013	59,520	100%

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 non police officer 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 days referred to above. A police officer has the option to receive payment of \$75 per day of his unused sick days in which they have in excess of the maximum 150 days referred to above. At retirement any employee may sell back accumulated unused sick leave up to the maximum amount. At December 31, 2013, the total liability for compensated absences was \$98,541.

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, 2013

NOTE 7: LONG-TERM LIABILITIES

A summary of changes in long-term liabilities follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Loans and Note Payable:					
Loans and Note	\$ 52,949	\$ 42,099	\$ 43,290	\$ 51,758	\$ 33,527
Total Loans and Note Payable	<u>52,949</u>	<u>42,099</u>	<u>43,290</u>	<u>51,758</u>	<u>33,527</u>
Other Liabilities					
Compensated Absences	<u>97,006</u>	<u>15,660</u>	<u>14,125</u>	<u>98,541</u>	<u>-</u>
	<u>97,006</u>	<u>15,660</u>	<u>14,125</u>	<u>98,541</u>	<u>-</u>
Governmental Activities Long-Term Liabilities	<u>\$ 149,955</u>	<u>\$ 57,759</u>	<u>\$ 57,415</u>	<u>\$ 150,299</u>	<u>\$ 33,527</u>

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

Years Ended December 31:	<u>Principal Requirements</u>	<u>Interest Requirements</u>	<u>Total Debt Service Requirements</u>
2014	\$ 33,527	\$ 776	\$ 34,303
2015	15,830	196	16,026
2016	<u>2,401</u>	<u>6</u>	<u>2,407</u>
Total Requirements	<u>\$ 51,758</u>	<u>\$ 978</u>	<u>\$ 52,736</u>

BOROUGH OF CLARION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013

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, 2013</u>
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.	\$ 902
2012	29,611	Note payable to be paid in 36 monthly installments starting in January 18, 2012 through January 10, 2015 with an interest rate of 2.64%. Proceeds were used to purchase a police vehicle.	10,961
2012	25,000	Note payable to be paid in 36 monthly installments starting in January 18, 2012 through January 10, 2015 with an interest rate of 2.64%. Proceeds were used to purchase a Public Works Skid Steer Loader.	9,255
2013	42,099	Note payable to be paid in 36 monthly installments starting in March 10, 2013 through February 10, 2016 with an interest rate of 1.87%. Proceeds were used to purchase a Police Vehicle Ford Explorer.	30,640
	Total		<hr/> <u>\$ 51,758</u>

BOROUGH OF CLARION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013

NOTE 8: 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:		
<u>Major Funds:</u>		
General Fund	\$ -	\$ 54,045
Recreation Fund	27,369	-
Capital Project Fund	35,600	-
<u>Non-Major Funds</u>		
Pension Fund	26,041	-
CDBG Fund	635	-
Storm Sewer Fund	-	35,600
	<u> </u>	<u> </u>
Total Governmental Funds	<u>\$ 89,645</u>	<u>\$ 89,645</u>
Total Interfund Operating Transfers	<u>\$ 89,645</u>	<u>\$ 89,645</u>

BOROUGH OF CLARION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013

NOTE 9: RESTRICTED FUND BALANCES/NET POSITION

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

Governmental FundsLiquid Fuels Fund

Restricted for Public Works and Highway projects	\$ 30,966
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Recreation Fund

Restricted for recreational program usage	192,280
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Fire Equipment Fund

Restricted for the fire department usage	136,179
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Capital Project Fund

Restricted for capital projects	1,073,691
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Non-Major Funds

Restricted for Street Lighting usage	\$ 14,771	
Restricted for Library usage	121,101	
Restricted under Act 13	3,056	
Restricted for the Recycling Program	3,874	
Restricted for Employee Pension	1,244	
Total Non- Major Funds	144,046	144,046

Fiduciary FundsGeneral Employee Pension Trust Fund

This amount represents amount restricted for General Employees Define Benefits Plan	1,466,676
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This amount represents amount restricted for General Employees Defined Contribution Plan	13,301
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Police Pension Trust Fund

This amount represents amounts restricted for the payment for the Police Pension Benefits.	3,102,377
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BOROUGH OF CLARION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013

NOTE 10: 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, 2013.

NOTE 11: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Fire Equipment Fund expenditures exceeded the amount budgeted by \$31,159, or 36.9%. The over expenditures in the Fire Equipment Fund was excess expenditures in the capital building project. The excess expenditures were paid through fund balance.

NOTE 12: SUBSEQUENT EVENTS

During January 2014 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 1.50%.

On February 20, 2014 the Borough purchased a dump truck for the Public Works Department. The total cost was \$130,271. The Borough borrowed the funds at an interest rate of 2.75%. The maturity date on the loan is July 20, 2021.

On February 25, 2014 the Borough purchased a police vehicle at a cost of \$39,764. The Borough borrowed the funds at an interest rate of 2.10% with a maturity date of March 10, 2017.

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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Real Estate Taxes	\$ 642,605	\$ 642,605	\$ 633,143	\$ (9,462)
Act 511 Taxes	372,495	372,495	470,314	97,819
Licenses and Permits	160,310	160,310	196,329	36,019
Fines	130,110	130,110	110,472	(19,638)
Interest and Rents	1,450	1,450	1,539	89
Intergovernmental Revenues	16,100	16,100	38,315	22,215
Charges for Services	122,000	122,000	131,636	9,636
Miscellaneous	5,500	5,500	27,398	21,898
Refunds	25	25	-	(25)
Total Revenues	<u>1,450,595</u>	<u>1,450,595</u>	<u>1,609,146</u>	<u>158,551</u>
Expenditures:				
Current:				
General Government	289,802	289,802	253,290	36,512
Public Safety	914,830	914,830	935,451	(20,621)
Public Works	381,515	381,515	333,149	48,366
Miscellaneous	550	550	80	470
Debt Service	150	150	-	150
Total Expenditures	<u>1,586,847</u>	<u>1,586,847</u>	<u>1,521,970</u>	<u>64,877</u>
Excess of Revenues Over (Under) Expenditures	<u>(136,252)</u>	<u>(136,252)</u>	<u>87,176</u>	<u>223,428</u>
Other Financing Sources (Uses)				
Loan Proceeds	40,000	40,000	42,099	2,099
Tax Anticipation Note	300,000	300,000	-	(300,000)
Sale of Capital Assets	10,500	10,500	9,850	(650)
Tax Anticipation Note (Payment)	(300,000)	(300,000)	-	300,000
Operating Transfers In	22,000	22,000	-	(22,000)
Operating Transfers (Out)	(34,780)	(34,780)	(54,045)	(19,265)
Total Other Financing Uses	<u>37,720</u>	<u>37,720</u>	<u>(2,096)</u>	<u>(39,816)</u>
Excess of Revenues and Other Financing Uses Under Expenditures	<u>(98,532)</u>	<u>(98,532)</u>	<u>85,080</u>	<u>183,612</u>
Fund Balances - January 1, 2013	<u>395,557</u>	<u>395,557</u>	<u>395,557</u>	<u>-</u>
Fund Balances - December 31, 2013	<u>\$ 297,025</u>	<u>\$ 297,025</u>	<u>\$ 480,637</u>	<u>\$ 183,612</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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental Revenue	\$ 104,358	\$ 104,358	\$ 107,448	3,090
Miscellaneous	-	-	124	124
Interest and Rents	15	15	45	30
Refunds of Prior Year Expenditures	10	10	-	(10)
Total Revenues	<u>104,383</u>	<u>104,383</u>	<u>107,617</u>	<u>3,234</u>
Expenditures:				
Current:				
Public Works	<u>108,500</u>	<u>108,500</u>	<u>102,853</u>	<u>5,647</u>
Total Expenditures	<u>108,500</u>	<u>108,500</u>	<u>102,853</u>	<u>5,647</u>
Excess of Revenues Over Expenditures	(4,117)	(4,117)	4,764	8,881
Other Financing Sources (Uses)				
Sale of Capital Assets	10	10	4,610	4,600
Operating Transfer In	20,500	20,500	-	(20,500)
Operating Transfer (Out)	<u>(20,500)</u>	<u>(20,500)</u>	<u>-</u>	<u>20,500</u>
Total Other Financing Sources (Uses)	<u>10</u>	<u>10</u>	<u>4,610</u>	<u>4,600</u>
Excess of Revenues and Other Financing Sources Over Expenditures	<u>(4,107)</u>	<u>(4,107)</u>	<u>9,374</u>	<u>13,481</u>
Fund Balances - January 1, 2013	<u>21,592</u>	<u>21,592</u>	<u>21,592</u>	<u>-</u>
Fund Balances - December 31, 2013	<u>\$ 17,485</u>	<u>\$ 17,485</u>	<u>\$ 30,966</u>	<u>\$ 13,481</u>

BOROUGH OF CLARION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
RECREATION FUND - BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Real Estate Taxes	\$ 22,370	\$ 22,370	\$ 20,350	\$ (2,020)
Interest and Rents	25	25	4,224	4,199
Charges for Services	25,500	25,500	24,625	(875)
Intergovernmental Revenue	-	-	313	313
Miscellaneous	650	650	18,263	17,613
Contributions	250	250	500	250
Total Revenues	<u>48,795</u>	<u>48,795</u>	<u>68,275</u>	<u>19,480</u>
Expenditures:				
Current:				
Recreation	<u>109,024</u>	<u>109,024</u>	<u>81,724</u>	<u>27,300</u>
Total Expenditures	<u>109,024</u>	<u>109,024</u>	<u>81,724</u>	<u>27,300</u>
Excess of Revenues Under Expenditures	(60,229)	(60,229)	(13,449)	46,780
Other Financing Uses				
Operating Transfers In	-	-	27,369	27,369
Operating Transfers (Out)	-	-	-	-
Total Other Financing Uses	<u>-</u>	<u>-</u>	<u>27,369</u>	<u>27,369</u>
Excess of Revenues and Other Financing Uses Under Expenditures	<u>(60,229)</u>	<u>(60,229)</u>	<u>13,920</u>	<u>74,149</u>
Fund Balances - January 1, 2013	<u>178,360</u>	<u>178,360</u>	<u>178,360</u>	<u>-</u>
Fund Balances - December 31, 2013	<u>\$ 118,131</u>	<u>\$ 118,131</u>	<u>\$ 192,280</u>	<u>\$ 74,149</u>

BOROUGH OF CLARION
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 FIRE EQUIPMENT FUND - BUDGET TO ACTUAL
 FOR THE YEAR ENDED DECEMBER 31, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Real Estate Tax	\$ 63,255	\$ 63,255	\$ 65,795	2,540
Intergovernmental Revenue	1,250	1,250	1,022	(228)
Charges for Services	8,200	8,200	8,200	-
Contributions	-	-	32,673	32,673
Interest and Rents	10	10	3,083	3,073
Total Revenues	<u>72,715</u>	<u>72,715</u>	<u>110,773</u>	<u>38,058</u>
Expenditures:				
Current:				
Public Safety	<u>82,390</u>	<u>84,365</u>	<u>115,524</u>	<u>(31,159)</u>
Total Expenditures	<u>82,390</u>	<u>84,365</u>	<u>115,524</u>	<u>(31,159)</u>
Excess of Revenues Over Expenditures	(9,675)	(11,650)	(4,751)	6,899
Fund Balances - January 1, 2013	<u>140,930</u>	<u>140,930</u>	<u>140,930</u>	<u>-</u>
Fund Balances - December 31, 2013	<u>\$ 131,255</u>	<u>\$ 129,280</u>	<u>\$ 136,179</u>	<u>\$ 6,899</u>

BOROUGH OF CLARION
 REQUIRED SUPPLEMENTARY INFORMATION
 GENERAL EMPLOYEES PENSION PLAN
 DECEMBER 31, 2013

SCHEDULE OF FUNDING PROGRESS

<u>Year Ending January 1</u>	<u>Actuarial Valuation Date</u>	(1) <u>Actuarial Value Of Assets</u>	(2) <u>Actuarial Accrued Liability (AAL) – Entry Age</u>	(3) <u>Unfunded AAL (UAAL)</u>	(4) <u>Funded Ratio</u>	(5) <u>Covered Payroll</u>	(6) <u>UAAL as a % of Covered Payroll</u>
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
2013	1/1/2013	1,270,399	1,541,379	270,980	82.4	235,125	115.2

BOROUGH OF CLARION
 REQUIRED SUPPLEMENTARY INFORMATION
 POLICE PENSION PLAN
 DECEMBER 31, 2013

SCHEDULE OF FUNDING PROGRESS

<u>Year Ending January 1</u>	<u>Actuarial Valuation Date</u>	(1) <u>Actuarial Value Of Assets</u>	(2) <u>Actuarial Accrued Liability (AAL) – Entry Age</u>	(3) <u>Unfunded AAL (UAAL)</u>	(4) <u>Funded Ratio</u>	(5) <u>Covered Payroll</u>	(6) <u>UAAL as a % of Covered Payroll</u>
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
2011	1/1/2011	2,356,303	2,065,976	(176,222)	108.5	398,981	N/A
2013	1/1/2013	2,558,313	2,653,004	94,691	96.4	435,576	21.7%

OTHER
SUPPLEMENTARY
INFORMATION

BOROUGH OF CLARION
 COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS
 DECEMBER 31, 2013

	Street Lighting Fund	Library Fund	Storm Sewer Fund	ACT 13 Fund	Recycling Fund	Community Development Fund	Pension Fund	Total Nonmajor Governmental Funds
<u>Assets</u>								
Cash and cash equivalents	\$ 17,138	\$ 5,373	\$ -	\$ 3,056	\$ 5,736	\$ -	\$ 1,244	\$ 32,547
Investments	-	113,798	-	-	-	-	-	113,798
Taxes receivable	8,118	5,959	-	-	2,956	-	-	17,033
Total Assets	\$ 25,256	\$ 125,130	\$ -	\$ 3,056	\$ 8,692	\$ -	\$ 1,244	\$ 163,378
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>								
<u>Liabilities:</u>								
Accounts payable	\$ 4,820	\$ -	\$ -	\$ -	\$ 2,493	\$ -	\$ -	\$ 7,313
Total Liabilities	4,820	-	-	-	2,493	-	-	7,313
<u>Deferred Inflows of Resources</u>								
Unavailable Revenue - Property Taxes	5,665	4,029	-	-	2,325	-	-	12,019
<u>Fund Balances:</u>								
<u>Restricted</u>								
General Government	-	-	-	3,056	-	-	1,244	4,300
Public Works	14,771	-	-	-	3,874	-	-	18,645
Culture and Recreation	-	121,101	-	-	-	-	-	121,101
Total Fund Balance	14,771	121,101	-	3,056	3,874	-	1,244	144,046
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 25,256	\$ 125,130	\$ -	\$ 3,056	\$ 8,692	\$ -	\$ 1,244	\$ 163,378

BOROUGH OF CLARION
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2013

	Street Lighting Fund	Library Fund	Storm Sewer Fund	ACT 13 Fund	Recycling Fund	Community Development Fund	Pension Fund	Total Nonmajor Governmental Funds
Revenues:								
Real estate taxes	\$ 53,107	\$ 39,430	\$ -	\$ -	\$ 14,634	\$ -	\$ -	\$ 107,171
Intergovernmental revenues	814	611	-	-	2,296	27,648	121,909	153,278
Charges for Services	-	-	-	2,856	50	-	33,759	36,665
Interest and rents	10	3,070	-	1	8	-	4	3,093
Total Revenues	53,931	43,111	-	2,857	16,988	27,648	155,672	300,207
Expenditures:								
Current:								
General Government	-	-	-	-	-	-	-	-
Public Safety	-	-	-	3,369	-	-	107,463	110,832
Public Works	51,721	-	8,115	-	34,375	28,283	74,085	196,579
Culture and Recreation	-	48,475	-	-	-	-	-	48,475
Total Expenditures	51,721	48,475	8,115	3,369	34,375	28,283	181,548	355,886
Excess of Revenues Over Expenditures	2,210	(5,364)	(8,115)	(512)	(17,387)	(635)	(25,876)	(55,679)
Other Financing Sources (Uses):								
Operating transfers in	-	-	-	-	-	635	26,041	26,676
Operating transfers out	-	-	(35,600)	-	-	-	-	(35,600)
Total Other Financing Sources (Uses)	-	-	(35,600)	-	-	635	26,041	(8,924)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	2,210	(5,364)	(43,715)	(512)	(17,387)	-	165	(64,603)
Fund Balance								
Beginning of year	12,561	126,465	43,715	3,568	21,261	-	1,079	208,649
End of year	\$ 14,771	\$ 121,101	\$ -	\$ 3,056	\$ 3,874	\$ -	\$ 1,244	\$ 144,046