

BOROUGH OF CLARION
CLARION, PENNSYLVANIA
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014

BOROUGH OF CLARION
YEAR ENDED DECEMBER 31, 2014

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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, 2014, 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.

Auditor's Responsibility

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

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

Harrisburg

830 Sir Thomas Court, Suite 100
Harrisburg, PA 17109
717.561.9200 Fax 717.561.9202

Philadelphia

2370 York Road, Suite A-5
Jamison, PA 18929
215.918.2277 Fax 215.918.2302

Pittsburgh

3800 McKnight E. Drive, Suite 3805
Pittsburgh, PA 15237
412.367.7102 Fax 412.367.7103

Zelenkofske Axelrod LLC

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Borough, as of December 31, 2014, 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 2014 the Borough adopted the provisions of Governmental Accounting Standards Board Statements No. 67, "Financial Reporting for Pension Plans – an amendment to GASB Statement No. 25," Statement No. 69, "Government Combinations and Disposals of Government Operations" and Statement No. 70, "Accounting and Financial Reporting for Non-exchange Financial Guarantees." Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of revenues, expenditures, and changes in fund balance budget to actual comparison, employees and police retirement fund schedule of borough's contributions and investment return for the last ten years, employees and police retirement fund schedules of changes in the net pension liability and related ratios information on pages 4 through 14 and 49 through 56 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

Borough Council
Borough of Clarion
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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 58 and 59 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.

ZELENKOFKSKE AXELROD LLC

Zelenkofske Axelrod LLC

Pittsburgh, Pennsylvania
August 21, 2015

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, 2014. Prior year comparative information is presented.

FINANCIAL HIGHLIGHTS

- The Borough's total Net Position at the end of 2014 was \$3,439,087.
- The General Fund unassigned Fund Balance was \$400,556 at the end of 2014.
- Total Governmental Funds Revenues of \$2,341,565 were collected in 2014, of which \$1,996,983 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.

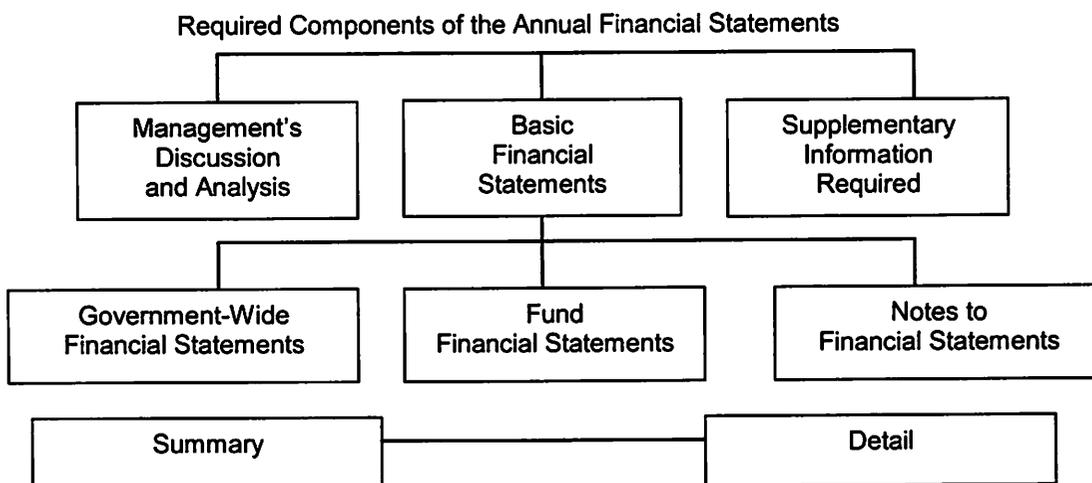
The basic financial statements present two different views of the Borough.

- *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 \$3,758,280 at December 31, 2014. Of this amount \$1,525,614 was capital assets at December 31, 2014.

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 2013	Governmental Activities 2014	Changes from 2013 to 2014
	<u>2013</u>	<u>2014</u>	<u>2014</u>
Capital Assets	\$ 1,495,425	\$ 1,525,614	\$ 30,189
Other Assets	<u>2,281,701</u>	<u>2,232,666</u>	<u>(49,035)</u>
Total Assets	<u>3,777,126</u>	<u>3,758,280</u>	<u>(18,846)</u>
Liabilities	<u>217,158</u>	<u>319,193</u>	<u>102,035</u>
<u>Net Position:</u>			
Net Investment in			
Capital Assets	1,443,667	1,360,389	(83,278)
Restricted Net Position	1,577,162	1,574,718	(2,444)
Unrestricted Net Position	<u>539,139</u>	<u>503,980</u>	<u>(35,159)</u>
Total Net Position	<u>\$ 3,559,968</u>	<u>\$ 3,439,087</u>	<u>\$ (120,881)</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The following statement of activities represents changes in Net Position for the years ended December 31, 2013 and 2014. 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 2013	Governmental Activities 2014	Changes from 2013 to 2014	Percentage Change
Program Revenues:				
Charges for Services	\$ 567,439	\$ 645,817	\$ 78,378	13.8%
Operating Grants and Contributions	334,135	262,479	(71,656)	-21.4%
General Revenues:				
Real Estate Taxes	822,591	833,242	10,651	1.3%
Act 511 Taxes	470,314	413,688	(56,626)	-12.0%
Interest Revenue	31,685	36,854	5,169	16.3%
Sale of Capital Assets	14,460	15,053	593	3.9%
Total Revenues	<u>2,240,624</u>	<u>2,207,133</u>	<u>(33,491)</u>	<u>-1.5%</u>
Expenses:				
General Government	261,473	233,498	(27,975)	-10.7%
Public Safety	1,108,953	1,287,258	178,305	16.1%
Public Works	815,653	642,470	(173,183)	-21.2%
Culture and Recreation	160,249	158,818	(1,431)	-0.9%
Interest on Long Term Debt	1,600	5,970	4,370	273.1%
Total Expenses	<u>2,347,928</u>	<u>2,328,014</u>	<u>(19,914)</u>	<u>-0.8%</u>
Changes in Net Position	<u>\$ (107,304)</u>	<u>\$ (120,881)</u>	<u>\$ (13,577)</u>	<u>12.7%</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 2014, revenue from real estate taxes and Act 511 taxes was \$833,242 and \$413,688 respectively

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

	2014	
	Total Cost of Services	Net Cost of Services
General Government	\$ 233,498	\$ (43,756)
Public Safety	1,287,258	(726,549)
Public Works	642,470	(514,044)
Culture and Recreation	158,818	(129,399)
Interest on Long Term Debt	5,970	(5,970)
Total	\$ 2,328,014	\$ (1,419,718)

The Borough relied on real estate taxes, earned income taxes and other general revenues to fund 55.79% of its governmental activities in 2014.

Capital Assets

The Borough's investment in capital assets at December 31, 2014, net of accumulated depreciation, was \$1,525,614. Capital assets consist primarily of land, buildings, equipment and vehicles. The following is a summary of capital assets at December 31, 2014:

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

	Governmental Activities 2013	Governmental Activities 2014	Changes from 2013 to 2014
Land	\$ 229,794	\$ 229,794	\$ -
Buildings and Improvements	2,418,478	2,418,478	-
Equipment	647,879	661,129	13,250
Vehicles	610,476	707,226	96,750
Accumulated Depreciation	(2,411,202)	(2,491,013)	(79,811)
Total Net Capital Assets	\$ 1,495,425	\$ 1,525,614	\$ 30,189

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 2014 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	\$ 51,758	\$ 170,035	\$ 56,568	\$ 165,225
Compensated Absences	98,541	15,120	29,885	83,776
Total Long Term Debt	\$ 150,299	\$ 185,155	\$ 86,453	\$ 249,001

In 2014, the Borough purchased a police vehicle for \$39,764 and public works truck in the amount of \$130,271. The loan and note payable balance as of December 31, 2014 is \$165,225.

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, unassigned 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 51.7% of 2014 Governmental revenues. Taxes decreased in 2014 by \$85,446. The decrease was a due to a decrease in Emergency Service Taxes by \$39,120 from 2014 and Earned Income Taxes were less in 2014 by \$25,017. The 2014 mill rate stayed at 20.50. The General Fund mill rate decreased .20 mills to 15.545. Street Light fund stayed the same at 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 increased from .35 to .55 mills. Intergovernmental revenue increased in 2014 by \$61,353 due to increases in grant funding. Licenses and permits increased in 2014 by \$168,036. This increase was the building inspections that are done within the Borough.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Governmental fund revenues by source at December 31, 2013 and 2014 were as follows:

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

Revenues:	2013	2014	Variance	of Change
Taxes	\$ 1,296,773	\$ 1,211,327	\$ (85,446)	-6.6%
Licenses, fees and permits	196,329	364,365	168,036	85.6%
Charges for services	110,472	165,122	54,650	49.5%
Fines and forfeits	300,376	101,305	(199,071)	-66.3%
Intergovernmental	201,126	262,479	61,353	30.5%
Interest and rents	32,825	37,995	5,170	15.8%
Miscellaneous income	58,958	13,384	(45,574)	-77.3%
Contributions	33,173	500	(32,673)	-98.5%
Loan proceeds	42,099	170,035	127,936	303.9%
Sale of capital assets	14,460	15,053	593	4.1%
Total revenues	\$ 2,286,591	\$ 2,341,565	\$ 54,974	2.4%

GOVERNMENTAL FUND EXPENDITURES increased 5.8% or \$134,612 during 2014. The Administration department of the general government decreased 9.6% or \$24,244. The administration was down one employee in 2014. The Public Works program decreased 2.2% or \$16,477 from 2013. The Public Works decrease was mainly due to less expenditures in the Capital Project Fund and CDBG Fund in 2014. The Capital Project Fund expended \$7,763 in 2014 and CDBG expended \$8,749 in 2014 a decrease of \$19,534. Culture and Recreation decreased in 2014 by \$1,014. The Public Safety expenditures increased in 2014 by \$176,068 or 15.2%. This was mainly due to the Professional Service on building inspections. The building Inspections increased in 2014 by \$152,980. This was due to the ongoing construction at the University. Police department increased in 2014 by \$33,730. The Public Safety function alone accounts for 55.2% of total governmental fund expenditures. Public Works accounts for 30% and Administration accounts for 9.45% of the total governmental fund expenditures. Culture and Recreation is 5.33% of total governmental fund expenditures.

Governmental fund expenditures by function at December 31, 2013 and 2014 were as follows:

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

Expenditures	2013	2014	Net Change	% of Change
General Government	\$ 253,290	\$ 229,046	\$ (24,244)	-9.6%
Public Safety	1,161,807	1,337,875	176,068	15.2%
Public Works	744,102	727,625	(16,477)	-2.2%
Culture and Recreation	130,199	129,185	(1,014)	-0.8%
Debt Service	-	175	175	0.0%
Miscellaneous	80	184	104	130.0%
Total Expenditures	\$ 2,289,478	\$ 2,424,090	\$ 134,612	5.9%

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

GOVERNMENTAL FUND BALANCES

Ending Balances for Governmental Funds at December 31, 2014:

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

Funds	Governmental Funds
General Fund	\$ 400,556
Liquid Fuel Fund	37,380
Recreation Fund	182,754
Capital Projects	1,091,159
Fire Equipment Fund	129,413
Other Governmental Funds	134,012
Total	\$ 1,975,274

Budgetary Highlights – The 2014 General Fund excess of revenues were under the expenditures by \$186,319. The Other Financing Sources report an excess of \$106,238. The General Fund in 2014 reported a net deficit of \$80,081. The General Fund, fund balance was used to offset the deficit.

Economic Conditions – The 2014 assessed valuation totals \$141,099,638 of which 71.6% (\$100,982,711) is non-taxable and 28.4% (\$40,116,927) 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 2015 Budget to 22.0 mills. The 2015 mills rate for the various funds are: General Fund mills increased from 15.545 mills to 15.595 mills, Street Lighting decreased from 1.30 mills to 1.1 mills, Fire Equipment Fund increased from 1.63 mills to 2.63 mills, the Library Fund increased from .975 mills to 1.475 mills, Recreation Fund stayed the same at .50 mills and the Recycling Fund increased from .55 mills to .70 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, 2014

Assets	Governmental Activities
Current Assets:	
Cash and cash equivalents	\$ 500,658
Investments	1,461,197
Accounts receivable	24,649
Taxes receivable, net	180,124
Total Current Assets	2,166,628
Noncurrent Assets:	
Land	229,794
Buildings and Improvements	2,418,478
Equipment	661,129
Vehicles	707,226
Accumulated depreciation	(2,491,013)
Total Capital Assets	1,525,614
Net Pension Asset	66,038
Total Noncurrent Assets	1,591,652
Total Assets	\$ 3,758,280
Liabilities	
Current Liabilities:	
Accounts payable	\$ 47,443
Other accrued liabilities	22,749
Current portion of long-term debt	45,449
Total Current Liabilities	115,641
Noncurrent Liabilities:	
Compensated absences	83,776
Non-current portion of long-term debt	119,776
Total Noncurrent Liabilities	203,552
Total Liabilities	319,193
Net Position	
Net Investment in Capital Assets	1,360,389
Restricted	
Program	483,559
Capital Projects	1,091,159
Unrestricted	503,980
Total Net Position	3,439,087
Total Liabilities and Net Position	\$ 3,758,280

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

BOROUGH OF CLARION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

	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	\$ 233,498	\$ 84,400	\$ 105,342	\$ (43,756)
Public Safety	1,287,258	537,145	23,564	(726,549)
Public Works	642,470	453	127,973	(514,044)
Culture and Recreation	158,818	23,819	5,600	(129,399)
Interest Expense	5,970	-	-	(5,970)
	2,328,014	645,817	262,479	(1,419,718)
Total Governmental Activities				
	\$ 2,328,014	\$ 645,817	\$ 262,479	(1,419,718)
Total Primary Government				
	\$ 2,328,014	\$ 645,817	\$ 262,479	(1,419,718)
		General Revenues:		
		Taxes:		
		Real Estate	833,242	
		Act 511	413,688	
		Interest Revenue	36,854	
		Gain of Capital Assets	15,053	
		Total General Revenues	1,298,837	
		Change in Net Position	(120,881)	
		Net Position - Beginning	3,559,968	
		Net Position - Ending	\$ 3,439,087	

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

**BOROUGH OF CLARION
COMBINED BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2014**

	General Fund	Liquid Fuel Fund	Recreation Fund	Fire Equipment Fund	Capital Project Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets							
Cash and cash equivalents	\$ 377,448	\$ 41,599	\$ 20,103	\$ 23,077	\$ 6,230	\$ 32,201	\$ 500,658
Investments	-	-	166,210	106,827	1,081,333	106,827	1,461,197
Accounts Receivable	20,634	-	-	419	3,596	-	24,649
Taxes receivable	143,247	-	3,717	12,119	-	21,041	180,124
Total Assets	\$ 541,329	\$ 41,599	\$ 190,030	\$ 142,442	\$ 1,091,159	\$ 160,069	\$ 2,166,628
Liabilities, Deferred Inflows and Fund Balance							
Liabilities:							
Accounts payable	\$ 27,185	\$ 4,219	\$ 3,531	\$ 3,427	\$ -	\$ 9,081	\$ 47,443
Other accrued liabilities	21,949	-	800	-	-	-	22,749
Total Liabilities	49,134	4,219	4,331	3,427	-	9,081	70,192
Deferred Inflows of Resources							
Unavailable Revenue - Property Taxes	91,639	-	2,945	9,602	-	16,976	121,162
Fund Balances:							
Restricted							
Administration	-	-	-	-	-	6,935	6,935
Public safety	-	-	-	129,413	-	-	129,413
Public works	-	37,380	-	-	-	13,043	50,423
Culture and Recreation	-	-	182,754	-	-	114,034	296,788
Capital Project Funds	-	-	-	-	1,091,159	-	1,091,159
Unassigned	400,556	-	-	-	-	-	400,556
Total Fund Balances	400,556	37,380	182,754	129,413	1,091,159	134,012	1,975,274
Total Liabilities and Deferred Inflows of Resources and Fund Balances	\$ 541,329	\$ 41,599	\$ 190,030	\$ 142,442	\$ 1,091,159	\$ 160,069	\$ 2,166,628

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 POSITION
 DECEMBER 31, 2014

Total fund balances of governmental funds \$ 1,975,274

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 \$1,580,380 accumulated depreciation.	838,098	
Equipment and Vehicles, net of \$910,633 accumulated depreciation.	<u>457,722</u>	
Total Capital Assets		1,525,614

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.

121,162

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.

66,038

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	(165,225)	
Compensated Absences	<u>(83,776)</u>	
		<u>(249,001)</u>

Total net position of governmental activities

\$ 3,439,087

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	General Fund	Liquid Fuel Fund	Recreation Fund	Fire Equipment Fund	Capital Project Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues:							
Real estate taxes	\$ 605,490	\$ -	\$ 19,434	\$ 63,355	\$ -	\$ 109,360	\$ 797,639
Act 511 taxes	413,688	-	-	-	-	-	413,688
Licenses and permits	364,365	-	-	-	-	-	364,365
Fines and forfeitures	101,305	-	-	-	-	-	101,305
Intergovernmental revenues	14,022	115,689	5,600	-	-	127,168	262,479
Charges for services	99,535	-	18,430	13,900	-	33,257	165,122
Interest and rents	1,551	53	3,656	4,438	25,231	3,066	37,995
Contributions	-	-	500	-	-	-	500
Miscellaneous	7,934	263	4,889	298	-	-	13,384
Total Revenues	1,607,890	116,005	52,509	81,991	25,231	272,851	2,156,477
Expenditures:							
Current:							
Administration	229,046	-	-	-	-	-	229,046
Public safety	1,081,705	-	-	88,757	-	131,531	1,301,993
Public works	422,345	109,591	-	-	-	163,054	694,990
Culture and Recreation	-	-	81,185	-	-	48,000	129,185
Capital Projects	-	-	-	-	7,763	-	7,763
Miscellaneous	175	-	-	-	-	-	175
Debt service	60,938	-	-	-	-	-	60,938
Total Expenditures	1,794,209	109,591	81,185	88,757	7,763	342,585	2,424,090
Excess (Deficiency) of Revenues Over Expenses	(186,319)	6,414	(28,676)	(6,766)	17,468	(69,734)	(267,613)
Other Financing Sources (Uses):							
Sale of capital assets	15,053	-	-	-	-	-	15,053
Loan proceeds	170,035	-	-	-	-	-	170,035
Operating transfers in	2,000	-	19,150	-	-	61,700	82,850
Operating transfers out	(80,850)	-	-	-	-	(2,000)	(82,850)
Total Other Financing Sources (Uses)	106,238	-	19,150	-	-	59,700	185,088
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(80,081)	6,414	(9,526)	(6,766)	17,468	(10,034)	(82,525)
Fund Balance							
Beginning of year	480,637	30,966	192,280	136,179	1,073,691	144,046	2,057,799
End of year	\$ 400,556	\$ 37,380	\$ 182,754	\$ 129,413	\$ 1,091,159	\$ 134,012	\$ 1,975,274

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, 2014

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

Net change in fund balances - total governmental funds \$ (82,525)

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 net capital outlay less retirement of assets was a net of \$110,000 less depreciation net of retirement of assets in the current period was \$79,811.

Net Capital Additions	110,000		
Net Depreciation	(79,811)		
Net Change in Capital Assets	30,189		30,189

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 12/31/13 to 12/31/14.

35,603

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.

(5,446)

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 premiums and discounts 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			56,568
Loan Proceeds			(170,035)

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			14,765
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Net change in governmental activities net position \$ (120,881)

BOROUGH OF CLARION
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2014

	General Employees Defined Benefit <u>Pension</u>	General Employses Define Contribution <u>Pension</u>	Police <u>Pension</u>	<u>Total</u>
Assets				
Cash	\$ 10,303	\$ -	\$ 27,453	\$ 37,756
Investments	1,495,119	-	3,286,342	4,781,461
Define Contribution Portion:				
Cash Equivalents	-	11,915	-	11,915
Investments Mutual Funds	-	6,437	-	6,437
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 1,505,422</u>	<u>\$ 18,352</u>	<u>\$ 3,313,795</u>	<u>\$ 4,837,569</u>
Liabilities				
Accounts Payable	<u>\$ 1,134</u>	<u>\$ -</u>	<u>\$ 731</u>	<u>\$ 1,865</u>
Total Liabilities	<u>1,134</u>	<u>-</u>	<u>731</u>	<u>1,865</u>
Net Position Held in Trust for Employees' Pension Benefits				
	<u>\$ 1,504,288</u>	<u>\$ 18,352</u>	<u>\$ 3,313,064</u>	<u>\$ 4,835,704</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, 2014

	General Employee Defined Benefit Pension	General Employee Defined Contribution Pension	Police Pension	Total
Additions:				
Contributions:				
Member	\$ 7,842	\$ -	\$ 22,642	\$ 30,484
Municipal	45,605	5,390	-	50,995
Commonwealth	7,064	-	85,102	92,166
Total Contributions	60,511	5,390	107,744	173,645
Investment Income:				
Net Appreciation (Loss) in Fair Value of Investments	61,808	(339)	132,488	193,957
Interest	33,351	-	72,812	106,163
Investment Income	95,159	(339)	205,300	300,120
Total Additions	155,670	5,051	313,044	473,765
Deductions:				
Administrative expenses	8,846	-	2,340	11,186
Retirement Benefits	109,212	-	100,017	209,229
Total Deductions	118,058	-	102,357	220,415
Net Increase	37,612	5,051	210,687	253,350
Net Position Held in Trust for Employees' Pension Benefits:				
Beginning of Year	1,466,676	13,301	3,102,377	4,582,354
End of Year	\$ 1,504,288	\$ 18,352	\$ 3,313,064	\$ 4,835,704

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

BOROUGH OF CLARION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

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 Non.14 No. 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, 2014

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, 2014

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, 2014

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, 2014.

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, 2014

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 expensed as incurred.

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. Deferred Inflows of Resources

The statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position 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, which arises under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

BOROUGH OF CLARION
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2014

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

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

7. 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, 2014

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

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

7. 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.

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, 2014

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

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

10. Adoption of Governmental Accounting Standards

In June 2012, the GASB issued Statement No. 67, "*Financial Reporting for Pension Plans – amendment of GASB Statement No. 25*". The adoption of this statement is reported in additional footnotes and additional schedules in the Required Supplementary Information.

In January 2013, the GASB issued Statement No. 69, "*Government Combinations and Disposals of Government Operations*". The adoption of this statement had no effect 2014 financial statements.

In April 2013, the GASB issued Statement No. 70, "Accounting and Financial Reporting for Non-exchange Financial Guarantees" The adoption of this statement had no effect 2014 financial statements.

11. Pending Changes in Accounting Principles

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 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.

In February 2015, the GASB issued Statement No. 72, "Fair Value Measurement and Application" The Borough of Clarion is required to adopt Statement No. 72 for its calendar year 2016 financial statements.

In June 2015, the GASB issued Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That are Not with the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statement 67 and 68". The Borough of Clarion is required to adopt Statement No. 73 for its calendar year 2016 financial statements.

In June 2015, the GASB issued Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other than Pensions". The Borough of Clarion is required to adopt Statement No. 74 for its calendar year 2017 financial statements.

In June 2015, the GASB issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". The Borough of Clarion is required to adopt Statement No. 75 for its calendar year 2018 financial statements.

In June 2015, the GASB issued Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments". The Borough of Clarion is required to adopt Statement No. 76 for its calendar year 2016 financial statements.

BOROUGH OF CLARION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

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

11. Pending Changes in Accounting Principles Continued:

In August 2015, the GASB issued Statement No. 77, "Tax Abatement Disclosures". The Borough of Clarion is required to adopt Statement No. 77 for its calendar year 2016 financial statements.

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

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 2014 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 Secretary/Treasurer 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, 2014

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, 2014 were as follows:

Deposits - Governmental Activities		
Cash	\$	500,658
Investments		
Certificates of Deposits		1,461,197
Pension		
Deposits - Pension Trust Funds		
Cash	\$	37,756
Investments - Pension Trust Funds		
Mutual Funds - Equity		4,781,461
Total Pension Investments		<u>4,781,461</u>
Total Pension Deposits and Investments	\$	<u>4,819,217</u>

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

Investment Type	Value	Than 1	1-5	6-10	Than 10
Certificate of Deposit	\$ 1,461,197	\$ -	\$ 1,461,197	\$ -	\$ -

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, 2014, 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, 2014 were \$1,954,669 with a book value of \$1,961,855. Of the Borough's \$1,954,669 in deposits, \$1,204,669 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, 2014. The Borough does not have a formal investment policy related to custodial credit risk.

BOROUGH OF CLARION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

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 2014 are recorded as receivables, net of estimated uncollectibles. The net receivables collected during 2014 and expected to be collected within the first sixty (60) days of 2015 are recognized as revenue in 2014. 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 2014, was 15.545 mills for general purposes, .975 for the library, 1.63 for fire equipment, 1.30 for street lights, .5 mills for recreation, and .55 mills for recycling fund purposes on a total Borough assessed valuation of \$40,116,927.

BOROUGH OF CLARION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2014, 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	<u>229,794</u>	<u>-</u>	<u>-</u>	<u>229,794</u>
Capital assets, being depreciated				
Buildings and Improvements	2,418,478	-	-	2,418,478
Equipment	647,879	13,250	-	661,129
Vehicles	610,476	167,111	70,361	707,226
Total capital assets, being depreciated	<u>3,676,833</u>	<u>180,361</u>	<u>70,361</u>	<u>3,786,833</u>
Less accumulated depreciation for:				
Buildings and Improvements	(1,513,358)	(67,022)	-	(1,580,380)
Equipment	(593,074)	(6,323)	-	(599,397)
Vehicles	(304,770)	(76,827)	70,361	(311,236)
Total accumulated depreciation	<u>(2,411,202)</u>	<u>(150,172)</u>	<u>70,361</u>	<u>(2,491,013)</u>
Total capital assets, being depreciated, net	<u>1,265,631</u>	<u>30,189</u>	<u>140,722</u>	<u>1,295,820</u>
Total capital assets, net	<u>\$ 1,495,425</u>	<u>\$ 30,189</u>	<u>\$ 140,722</u>	<u>\$ 1,525,614</u>

BOROUGH OF CLARION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

NOTE 4: CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions/programs as follows:

Governmental Activities

General government - Administrative	\$ 2,343
Public safety	43,514
Public works	74,682
Culture and recreation	<u>29,633</u>
Total Depreciation Expense, Governmental Activities	<u>\$ 150,172</u>

NOTE 5: EMPLOYEES RETIREMENT PLANS

A. Pension Trust Funds

Plan 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, 2015, 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	8
Terminated employees entitled to benefits but not yet receiving them	2	0
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, 2014

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, 2015. 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, 2015, the most recent actuarial valuation date, the General Employees' Pension Plan was 92.8% funded and the Police Pension Plan was 108.5% funded.

BOROUGH OF CLARION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

NOTE 5: EMPLOYEES RETIREMENT PLANS (CONTINUED)

Police Pension Plan Reporting

Net Pension Liability

The components of the net pension liability of the Police Pension Plan at December 31, 2014, were as follows:

Total Pension Liability	\$3,054,795
Plan Fiduciary Net Position	<u>(3,313,064)</u>
Net Pension Liability	\$ (258,269)

Plan Fiduciary Net Position as a percentage of the total pension Liability	108.5%
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The schedule of changes in the net pension liability and related ratios, presented as other supplementary information following the notes to the financial statements, presents multiyear trend information about the plan.

Police Pension Plan Actuarial Methods and assumptions

Actuarial Assumptions: The total pension liability was determined by an actuarial valuation as of January 1, 2015 and rolled forward to the reporting date using the following significant actuarial assumptions applied to all periods included in the measurement:

Inflation:	3.0%
Salary increases:	5.5% including inflation
Mortality:	RP-2000 Combined Healthy Mortality Table with Blue Collar Adjustments, with rates set forward 5 years for disabled lives. Rates are projected to improve with 75% of scale AA.

Investments:

Investments in the plan are managed by Wells Fargo. Investments are recorded at fair value based on quoted market prices.

Investment policy. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by Borough Council by a majority vote of its members. It is the policy of Borough Council to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy utilizes a combination of actively and passively managed asset classes. Actively managed asset classes shall be managed with the objective to provide incremental returns relative to the appropriate market benchmarks. Passive strategies shall be managed with the objective of replicating the return of the appropriate benchmark. The following was the Police Pension Plan's adopted asset allocation policy as of December 31, 2014:

<u>Asset Class</u>	<u>Target Allocation</u>
Equities	55.00%
Fixed Income	44.00%
Cash	1.00%
	<u>100.00%</u>

BOROUGH OF CLARION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

NOTE 5: EMPLOYEES RETIREMENT PLANS (CONTINUED)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which the best-estimate ranges of expected future real rates of return (expected returns, net of inflation and investment expenses not funded through the MMO) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of December 31, 2014 are summarized in the following table:

Asset Class	Long Term Expected Real Rate of Return
Equities	6.30%
Fixed Income	2.00%
Cash	0.00%

Discount rate. The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made equal to the Minimum Municipal Obligation. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate. The following shows the effect of a 1% change in the discount rate on the net pension liability:

	1% Decrease (6.50%)	Current Rate (7.50%)	1% Increase (8.50%)
Borough's Net Pension Liability	\$ 130,605	\$ (258,269)	\$ (584,908)

Rate of Return. For the year ended December 31, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, as 6.66 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

General Employees' Pension Plan Reporting

Net Pension Liability

The components of the net pension liability of the General Employees' Pension Plan at December 31, 2014, were as follows:

Total Pension Liability	\$ 1,621,629
Plan Fiduciary Net Position	<u>(1,504,288)</u>
Net Pension Liability	\$ 117,341

Plan Fiduciary Net Position as a percentage of the total pension Liability	92.8%
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BOROUGH OF CLARION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

NOTE 5: EMPLOYEES RETIREMENT PLANS (CONTINUED)

The schedule of changes in the net pension liability and related ratios, presented as other supplementary information following the notes to the financial statements, presents multiyear trend information about the plan.

General Employees' Pension Plan Actuarial Methods and assumptions

Actuarial Assumptions: The total pension liability was determined by an actuarial valuation as of January 1, 2015 and rolled forward to the reporting date using the following significant actuarial assumptions applied to all periods included in the measurement:

Inflation:	3.0%
Salary increases:	5.0% including inflation
Mortality:	RP-2000 Combined Healthy Mortality Table, with rates set forward 5 years for disabled lives. Rates are projected to improve with 75% of scale AA.

Investments:

Investments in the plan are managed by Wells Fargo. Investments are recorded at fair value based on quoted market prices.

Investment policy. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by Borough Council by a majority vote of its members. It is the policy of Borough Council to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy utilizes a combination of actively and passively managed asset classes. Actively managed asset classes shall be managed with the objective to provide incremental returns relative to the appropriate market benchmarks. Passive strategies shall be managed with the objective of replicating the return of the appropriate benchmark. The following was the General Employees' Pension Plan's adopted asset allocation policy as of December 31, 2014:

<u>Asset Class</u>	<u>Target Allocation</u>
Equities	55.00%
Fixed Income	44.00%
Cash	1.00%
	<u>100.00%</u>

The long-term expected rate of return on pension plan investments was determined using a building-block method in which the best-estimate ranges of expected future real rates of return (expected returns, net of inflation and investment expenses not funded through the MMO) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of December 31, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Long Term Expected Real Rate of Return</u>
Equities	6.30%
Fixed Income	2.00%
Cash	0.00%

BOROUGH OF CLARION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

NOTE 5: EMPLOYEES RETIREMENT PLANS (CONTINUED)

Discount rate. The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made equal to the Minimum Municipal Obligation. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate. The following shows the effect of a 1% change in the discount rate on the net pension liability:

	1% Decrease (6.50%)	Current Rate (7.50%)	1% Increase (8.50%)
Borough's Net Pension Liability	\$ 284,199	\$ 117,341	\$ (25,160)

Rate of Return. For the year ended December 31, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, as 6.67 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

For the General Employees' Pension Plan, the actuarial accrued liability for the benefits was \$1,621,379, and the actuarial value of the assets was \$1,505,422, resulting in an unfunded actuarial accrued liability (UAAL) of \$117,341. The actuarial value of the assets as a percentage of the actuarial accrued liability was 92.8%. The covered payroll was \$136,349, and the ratio of the UAAL to the covered payroll was 116.2%. For the Police Pension Plan, the actuarial accrued liability for the benefits was \$3,054,795, and the actuarial value of the assets was \$3,313,795, resulting in an excess actuarial accrued liability (UAAL) of \$25,269. The actuarial value of the assets as a percentage of the actuarial accrued liability was 108.5%. The covered payroll was \$476,004, and the ratio of the UAAL to the covered payroll was 54.25%.

BOROUGH OF CLARION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

NOTE 5: EMPLOYEES RETIREMENT PLANS (CONTINUED)

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

	<u>General Employees'</u>	<u>Police</u>	<u>Total</u>
Annual Required Contribution (ARC)	\$ 53,447	\$ 85,102	\$ 138,549
Interest on NPA	(3,594)	(1,767)	(5,361)
Adjustment to the ARC	<u>7,586</u>	<u>3,221</u>	<u>10,807</u>
Annual Pension Cost	<u>57,439</u>	<u>86,556</u>	<u>143,995</u>
Contributions made	53,447	85,102	138,549
Change in NPA	(3,992)	(1,454)	(5,446)
NPA, Beginning of Year	<u>47,922</u>	<u>23,562</u>	<u>71,484</u>
NPA, End of Year	<u><u>\$ 43,930</u></u>	<u><u>\$ 22,108</u></u>	<u><u>\$ 66,038</u></u>

BOROUGH OF CLARION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

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	2012	\$ 62,989	102%
	2013	58,428	100%
	2014	53,447	100%
Police Pension Plan	2012	\$ 55,269	100%
	2013	59,520	100%
	2014	85,102	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, up to 18 days annually, 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 up to 18 days annually, 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, 2014, the total liability for compensated absences was \$83,776.

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, 2014

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	\$ 51,758	\$ 170,035	\$ 56,568	\$ 165,225	\$ 45,449
Total Loans and Note Payable	<u>51,758</u>	<u>170,035</u>	<u>56,568</u>	<u>165,225</u>	<u>45,449</u>
Other Liabilities					
Compensated Absences	98,541	15,120	29,885	83,776	-
	<u>98,541</u>	<u>15,120</u>	<u>29,885</u>	<u>83,776</u>	<u>-</u>
Governmental Activities Long-Term Liabilities	<u>\$ 150,299</u>	<u>\$ 185,155</u>	<u>\$ 86,453</u>	<u>\$ 249,001</u>	<u>\$ 45,449</u>

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

Years Ended December 31:	Principal Requirements	Interest Requirements	Total Debt Service Requirements
2015	\$ 45,449	\$ 3,717	\$ 49,166
2016	32,755	2,794	35,549
2017	20,769	2,093	22,862
2018	17,838	1,598	19,436
2019	18,336	1,101	19,437
2020-2024	<u>30,078</u>	<u>695</u>	<u>30,773</u>
Total Requirements	<u>\$ 165,225</u>	<u>\$ 11,998</u>	<u>\$ 177,223</u>

BOROUGH OF CLARION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

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, 2014</u>
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.	\$ 854
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.	722
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.	16,655
2014	\$ 39,764	Note payable to be paid in 36 monthly installments starting in February 25, 2014 through March 10, 2017 with an interest rate of 2.10%. Proceeds were used to purchase a Police Vehicle Ford Explorer.	30,084
2014	\$ 130,271	Note payable to be paid in 89 monthly installments starting in March 20, 2014 through July 20, 2021 with an interest rate of 2.75%. Proceeds were used to purchase a dump truck for the public Works Department.	116,910
Total			<u>\$ 165,225</u>

BOROUGH OF CLARION
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2014

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	\$ 2,000	\$ 80,850
Recreation Fund	19,150	-
<u>Non-Major Funds</u>		
Pension Fund	50,500	-
Recycling	11,200	2,000
	<u>82,850</u>	<u>82,850</u>
Total Governmental Funds	<u>\$ 82,850</u>	<u>\$ 82,850</u>
Total Interfund Operating Transfers	<u>\$ 82,850</u>	<u>\$ 82,850</u>

BOROUGH OF CLARION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

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 FundsCapital Project Fund

Restricted for capital projects	\$ 1,091,159
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Fire Equipment Fund

Restricted for the fire department usage	129,413
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Recreation Fund

Restricted for recreational program usage	182,754
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Liquid Fuels Fund

Restricted for Public Works and Highway projects	37,380
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Non-Major Funds

Restricted for Street Lighting usage	\$ 11,801	
Restricted for Library usage	114,034	
Restricted under Act 13	6,206	
Restricted for the Recycling Program	1,242	
Restricted for Employee Pension	729	
Total Non- Major Funds	134,012	134,012

Fiduciary FundsGeneral Employee Pension Trust Fund

This amount represents amount restricted for General Employees Define Benefits Plan	1,504,288
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This amount represents amount restricted for General Employees Defined Contribution Plan	18,352
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Police Pension Trust Fund

This amount represents amounts restricted for the payment for the Police Pension Benefits.	3,313,064
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BOROUGH OF CLARION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

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, 2014.

NOTE 11: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The General Fund expenditures exceeded the amount budgeted by \$186,319. The excess expenditures were paid through fund balance. The Highway Aid Fund (Liquid Fuel Fund) expenditures exceeded the amount budgeted by \$4,591. The excess expenditures were paid through fund balance. The Fire Equipment Fund expenditures exceeded the amount budgeted by \$4,392. 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 2015 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 1.250%.

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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Real Estate Taxes	\$ 594,945	\$ 594,945	\$ 605,490	\$ 10,545
Act 511 Taxes	442,635	442,635	413,688	(28,947)
Licenses and Permits	162,045	162,045	364,365	202,320
Fines	130,110	130,110	101,305	(28,805)
Interest and Rents	1,450	1,450	1,551	101
Intergovernmental Revenues	17,950	17,950	14,022	(3,928)
Charges for Services	115,050	115,050	99,535	(15,515)
Miscellaneous	5,500	5,500	7,934	2,434
Refunds	25	25	-	(25)
Total Revenues	1,469,710	1,469,710	1,607,890	138,180
Expenditures:				
Current:				
General Government	311,275	311,275	229,046	82,229
Public Safety	959,045	959,045	1,081,705	(122,660)
Public Works	336,870	336,870	422,345	(85,475)
Miscellaneous	550	550	175	375
Debt Service	150	150	60,938	(60,788)
Total Expenditures	1,607,890	1,607,890	1,794,209	(186,319)
Excess of Revenues Over (Under) Expenditures	(138,180)	(138,180)	(186,319)	(48,139)
Other Financing Sources (Uses)				
Loan Proceeds	45,000	45,000	170,035	125,035
Tax Anticipation Note	300,000	300,000	-	(300,000)
Sale of Capital Assets	9,850	9,850	15,053	5,203
Tax Anticipation Note (Payment)	(300,000)	(300,000)	-	300,000
Operating Transfers In	20,500	20,500	2,000	(18,500)
Operating Transfers (Out)	(52,030)	(52,030)	(80,850)	(28,820)
Total Other Financing Uses	23,320	23,320	106,238	82,918
Excess of Revenues and Other Financing Uses Under Expenditures	(114,860)	(114,860)	(80,081)	34,779
Fund Balances - January 1, 2014	480,637	480,637	480,637	-
Fund Balances - December 31, 2014	\$ 365,777	\$ 365,777	\$ 400,556	\$ 34,779

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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental Revenue	\$ 103,491	\$ 103,491	\$ 115,689	12,198
Miscellaneous	-	-	263	263
Interest and Rents	40	40	53	13
Refunds of Prior Year Expenditures	50	50	-	(50)
Total Revenues	<u>103,581</u>	<u>103,581</u>	<u>116,005</u>	<u>12,424</u>
Expenditures:				
Current:				
Public Works	<u>105,000</u>	<u>105,000</u>	<u>109,591</u>	<u>(4,591)</u>
Total Expenditures	<u>105,000</u>	<u>105,000</u>	<u>109,591</u>	<u>(4,591)</u>
Excess of Revenues Over Expenditures	(1,419)	(1,419)	6,414	7,833
Other Financing Sources (Uses)				
Sale of Capital Assets	10	10	-	(10)
Operating Transfer In	25,500	25,500	-	(25,500)
Operating Transfer (Out)	<u>(20,500)</u>	<u>(20,500)</u>	<u>-</u>	<u>20,500</u>
Total Other Financing Sources (Uses)	<u>5,010</u>	<u>5,010</u>	<u>-</u>	<u>(5,010)</u>
Excess of Revenues and Other Financing Sources Over Expenditures	<u>3,591</u>	<u>3,591</u>	<u>6,414</u>	<u>2,823</u>
Fund Balances - January 1, 2014	<u>30,966</u>	<u>30,966</u>	<u>30,966</u>	<u>-</u>
Fund Balances - December 31, 2014	<u>\$ 34,557</u>	<u>\$ 34,557</u>	<u>\$ 37,380</u>	<u>\$ 2,823</u>

BOROUGH OF CLARION
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 RECREATION FUND - BUDGET TO ACTUAL
 FOR THE YEAR ENDED DECEMBER 31, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Real Estate Taxes	\$ 20,825	\$ 20,825	\$ 19,434	\$ (1,391)
Interest and Rents	10	10	3,656	3,646
Charges for Services	25,750	25,750	18,430	(7,320)
Intergovernmental Revenue	-	-	5,600	5,600
Miscellaneous	650	650	4,889	4,239
Contributions	-	-	500	500
Total Revenues	<u>47,235</u>	<u>47,235</u>	<u>52,509</u>	<u>5,274</u>
Expenditures:				
Current:				
Recreation	<u>149,025</u>	<u>149,025</u>	<u>81,185</u>	<u>67,840</u>
Total Expenditures	<u>149,025</u>	<u>149,025</u>	<u>81,185</u>	<u>67,840</u>
Excess of Revenues Under Expenditures	(101,790)	(101,790)	(28,676)	73,114
Other Financing Uses				
Operating Transfers In	-	-	19,150	19,150
Operating Transfers (Out)	-	-	-	-
Total Other Financing Uses	<u>-</u>	<u>-</u>	<u>19,150</u>	<u>19,150</u>
Excess of Revenues and Other Financing Uses Under Expenditures	<u>(101,790)</u>	<u>(101,790)</u>	<u>(9,526)</u>	<u>92,264</u>
Fund Balances - January 1, 2014	<u>192,280</u>	<u>192,280</u>	<u>192,280</u>	<u>-</u>
Fund Balances - December 31, 2014	<u>\$ 90,490</u>	<u>\$ 90,490</u>	<u>\$ 182,754</u>	<u>\$ 92,264</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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Real Estate Tax	\$ 65,965	\$ 65,965	\$ 63,355	(2,610)
Charges for Services	8,200	8,200	13,900	5,700
Miscellaneous	-	-	298	298
Interest and Rents	10	10	4,438	4,428
Total Revenues	74,175	74,175	81,991	7,816
Expenditures:				
Current:				
Public Safety	85,430	84,365	88,757	(4,392)
Total Expenditures	85,430	84,365	88,757	(4,392)
Excess of Revenues Over Expenditures	(11,255)	(10,190)	(6,766)	3,424
Other Financing Sources (Uses)				
Operating Transfer In	-	-	-	-
Operating Transfer (Out)	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Excess of Revenues and Other Financing Sources Over Expenditures	(11,255)	(10,190)	(6,766)	3,424
Fund Balances - January 1, 2014	136,179	136,179	136,179	-
Fund Balances - December 31, 2014	\$ 124,924	\$ 125,989	\$ 129,413	\$ 3,424

**Borough of Clarion
Employees' Retirement Fund
Schedule of Borough's Contributions and Investment Returns
Schedule of Borough's Contributions - Last Ten Years**

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Actuarially determined contribution	\$ 53,447	\$ 58,428	\$ 62,989	\$ 61,571	\$ 66,462	\$ 60,515	\$ 59,231	\$ 55,680	\$ 55,788	\$ 51,061
Contribution in relations to the Actuarially determined contribution	53,447	58,428	64,371	74,253	67,600	74,296	67,941	58,174	65,086	51,061
Contribution Deficiency (excess)	\$ -	\$ -	\$ (1,382)	\$ (12,882)	\$ (1,138)	\$ (13,781)	\$ (8,710)	\$ (2,494)	\$ (9,298)	\$ -
Covered-employee payroll	\$ 136,349	\$ 136,349	\$ 235,125	\$ 235,125	\$ 253,051	\$ 253,051	\$ 305,825	\$ 305,825	\$ 287,910	\$ 287,910
Contributions as a percentage of covered - employee payroll	39.2%	42.9%	27.4%	31.6%	26.7%	29.4%	22.2%	19.0%	22.6%	17.7%

**Employees' Retirement Fund
Schedule of Investment Returns - Last Ten Years**

	2014
Annual money-weighted rate of return net of Investment expense	6.67%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 -year trend is compiled, Pension plans should present information for those years for which information is available.

Notes to Schedule

Actuarially determined contribution rates are calculated as of January 1, one year prior to the end of the fiscal year in which contributions are reported.

Total Pension Liability	\$ 1,621,629
Plan Fiduciary net position	(1,504,288)
Net pension liability	\$ 117,341

Plan fiduciary net position as a percentage of the total pension Liability 92.8%

Methods and assumptions used to determine contributions rates:

Actuarial Cost method	Entry
Amortization method	Level Dollar
Remaining amortization period	10 Years aggregate
Assets valuation method	4-year smoothing losses from prior years
Inflation	3%
Salary Increases	5% including Inflation
Investment rate of return	7.5% net of Investment expenses not funded through the MMO, and including inflation.
Retirement Age	Normal: Age 60 and 15 years of services Early Retirement: Age 55 and 15 years of services
Mortality	RPP-2000 Combined Healthy Mortality Table, with rates set forward 5 years for disabled lives. Rates are project to improved with 75%of scale AA.

**Borough of Clarion
Employees' Retirement Fund
Schedule of Changes in the Net Pension Liability and Related Ratios**

	Year 2014
<u>Total Pension Liability</u>	
Service cost	\$ 24,903
Benefit payments and refunds	(109,212)
Interest	117,015
Net change in total pension liability	32,706
Total Pension Liability - beginning	1,588,923
Total Pension Liability - ending (a)	\$ 1,621,629
<u>Plan Fiduciary Net Position</u>	
Contributions - employer	53,447
Contributions - member	7,064
Net investment income	95,159
Benefit payments and refunds	(109,212)
Administrative expenses	(8,846)
Net change in plan fiduciary net position	37,612
Plan Fiduciary Net Position - beginning	1,466,676
Plan Fiduciary Net Position - ending (b)	\$ 1,504,288
Net Pension Liability - ending (a) - (b)	\$ 117,341
Plan fiduciary net position as a percentage of the total pension liability	92.80%
Covered-employee payroll	\$ 136,349
Net Pension Liability as percentage of covered-employee payroll	86.10%

**Borough of Clarion
Police Retirement Fund
Schedule of Borough's Contributions and Investment Returns
Schedule of Borough's Contributions - Last Ten Years**

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Actuarially determined contribution	\$ 85,102	\$ 59,520	\$ 55,269	\$ 38,452	\$ 48,247	\$ 83,307	\$ 5,326	\$ 10,727	\$ 4,704	\$ 11,987
Contribution in relation to the Actuarially determined contribution	85,102	59,520	55,280	51,134	53,754	8,307	5,326	10,727	4,704	11,987
Contribution Deficiency (excess)	-	-	(11)	(12,682)	(5,507)	75,000	-	-	-	-
Covered-employee payroll	\$ 476,004	\$ 476,004	\$ 435,576	\$ 435,576	\$ 409,468	\$ 409,468	\$ 398,981	\$ 374,833	\$ 328,135	\$ 328,135
Contributions as a percentage of covered - employee payroll	17.9%	12.5%	12.7%	11.7%	13.1%	2.0%	1.3%	2.9%	1.4%	3.7%

**Police Retirement Fund
Schedule of Investment Returns - Last Ten Years
2014**

Annual money-weighted rate of return net of Investment expense **6.66%**

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 -year trend is compiled, Pension plans should present information for those years for which information is available.

Notes to Schedule

Actuarially determined contribution rates are calculated as of January 1, one year prior to the end of the fiscal year in which contributions are reported.

Total Pension Liability	\$ 3,054,795
Plan Fiduciary net position	<u>3,313,064</u>
Net pension liability	\$ (258,269)

Plan fiduciary net position as a percentage of the total pension Liability 108.5%

Methods and assumptions used to determine contributions rates:

Actuarial Cost method	Entry
Amortization method	Level Dollar
Remaining amortization period	11 years aggregate
Assets valuation method	4-year smoothing losses from prior years
Inflation	3%
Salary Increases	5.5% including Inflation
Investment rate of return	7.5% net of investment expenses not funded through the MMO, and including inflation.
Retirement Age	Normal: Age 50 and 25 years of services Early Retirement Completion of 20 years of Services
Mortality	RPP-2000 Combined Healthy Mortality Table, with rates set forward 5 years for disabled lives. Rates are project to Improved with 75%of scale AA.

**Borough of Clarion
Police Retirement Fund
Schedule of Changes in the Net Pension Liability and Related Ratios**

	Year 2014
<u>Total Pension Liability</u>	
Service cost	\$ 89,750
Benefit payments and refunds	(100,017)
Interest	216,677
Net change in total pension liability	206,410
Total Pension Liability - beginning	2,848,385
Total Pension Liability - ending (a)	\$ 3,054,795
<u>Plan Fiduciary Net Position</u>	
Contributions - employer	85,102
Contributions - member	22,642
Net investment income	205,300
Benefit payments and refunds	(100,017)
Administrative expenses	(2,340)
Net change in plan fiduciary net position	210,687
Plan Fiduciary Net Position - beginning	3,102,377
Plan Fiduciary Net Position - ending (b)	\$ 3,313,064
Net Pension Liability - ending (a) - (b)	\$ (258,269)
Plan fiduciary net position as a percentage of the total pension liability	108.50%
Covered-employee payroll	\$ 476,004
Net Pension Liability as percentage of covered-employee payroll	-54.26%

OTHER
SUPPLEMENTARY
INFORMATION

2

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BOROUGH OF CLARION
 COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS
 DECEMBER 31, 2014

	Street Lighting Fund	Library Fund	ACT 13 Fund	Recycling Fund	Community Development Fund	Pension Fund	Total Nonmajor Governmental Funds
Assets							
Cash and cash equivalents	\$ 16,504	\$ 5,701	\$ 6,206	\$ 3,061	\$ -	\$ 729	\$ 32,201
Investments	-	106,827	-	-	-	-	106,827
Taxes receivable	10,075	7,249	-	3,717	-	-	21,041
Total Assets	\$ 26,579	\$ 119,777	\$ 6,206	\$ 6,778	\$ -	\$ 729	\$ 160,069
Liabilities and Fund Balance							
Liabilities:							
Accounts payable	\$ 6,588	\$ -	\$ -	\$ 2,493	\$ -	\$ -	\$ 9,081
Total Liabilities	6,588	-	-	2,493	-	-	9,081
Deferred Inflows of Resources							
Unavailable Revenue - Property Taxes	8,190	5,743	-	3,043	-	-	16,976
Fund Balances:							
Restricted							
General Government	-	-	6,206	-	-	729	6,935
Public Works	11,801	-	-	1,242	-	-	13,043
Culture and Recreation	-	114,034	-	-	-	-	114,034
Total Fund Balance	11,801	114,034	6,206	1,242	-	729	134,012
Total Liabilities and Deferred Inflows of Resources and Fund Balances	\$ 26,579	\$ 119,777	\$ 6,206	\$ 6,778	\$ -	\$ 729	\$ 160,069

**BOROUGH OF CLARION
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Street Lighting Fund	Library Fund	ACT 13 Fund	Recycling Fund	Community Development Fund	Pension Fund	Total Nonmajor Governmental Funds
Revenues:							
Real estate taxes	\$ 50,594	\$ 37,897	\$ -	\$ 20,869	\$ -	\$ -	\$ 109,360
Intergovernmental revenues	-	-	-	1,911	8,749	116,508	127,168
Charges for Services	-	-	3,148	190	-	29,919	33,257
Interest and rents	11	3,036	2	14	-	3	3,066
Total Revenues	50,605	40,933	3,150	22,984	8,749	146,430	272,851
Expenditures:							
Current:							
Public Safety	-	-	-	-	-	131,531	131,531
Public Works	53,575	-	-	34,816	8,749	65,914	163,054
Culture and Recreation	-	48,000	-	-	-	-	48,000
Total Expenditures	53,575	48,000	-	34,816	8,749	197,445	342,585
Excess of Revenues Over Expenditures	(2,970)	(7,067)	3,150	(11,832)	-	(51,015)	(69,734)
Other Financing Sources (Uses):							
Operating transfers in	-	-	-	11,200	-	50,500	61,700
Operating transfers out	-	-	-	(2,000)	-	-	(2,000)
Total Other Financing Sources (Uses)	-	-	-	9,200	-	50,500	59,700
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(2,970)	(7,067)	3,150	(2,632)	-	(515)	(10,034)
Fund Balance							
Beginning of year	14,771	121,101	3,056	3,874	-	1,244	144,046
End of year	\$ 11,801	\$ 114,034	\$ 6,206	\$ 1,242	\$ -	\$ 729	\$ 134,012