

**Zelenkofske Axelrod L**

A Certified Public Accounting and Auditin

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**BOROUGH OF CLARION**  
**CLARION, PENNSYLVANIA**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2008**

BOROUGH OF CLARION  
YEAR ENDED DECEMBER 31, 2008

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# Zelenkofske Axelrod LLC

## INDEPENDENT AUDITORS' REPORT

Borough Council  
Borough of Clarion  
Clarion, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of BOROUGH OF CLARION as of and for the year ended December 31, 2008, which collectively comprise BOROUGH OF CLARION's basic financial statements as listed in the table of contents. These financial statements are the responsibility of BOROUGH OF CLARION's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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 BOROUGH OF CLARION as of December 31, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 3 through 13 and pages 43 through 46 and the schedules of funding progress on pages 47 through 48 are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

<b>Harrisburg</b>	<b>Lehigh Valley</b>	<b>Philadelphia</b>	<b>Pittsburgh</b>
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# Zelenkofske Axelrod LLC

Borough Council  
Borough of Clarion  
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Our audit was made for the purpose of forming opinions on the basic financial statements of the BOROUGH OF CLARION. The combining Special Revenue Funds financial statements on pages 50 through 51 are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

*Zelenkofske Axelrod LLC*

ZELENKOFKSKE AXELROD LLC

Pittsburgh, Pennsylvania  
January 4, 2010.

## 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 years ended December 31, 2008. Prior year comparative information is presented.

### FINANCIAL HIGHLIGHTS

- The Borough's total net assets at the end of 2008 were \$4,355,978.
- The General Fund unreserved Fund Balance was \$389,990 at the end of 2008.
- Total Governmental Funds Revenues of \$2,327,584 were collected in 2008, of which \$1,617,263 was expended for Public Safety and Public Works.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists of the following three 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 Street Light Fund, the Recreation Fund, the CDBG Fund and the Liquid Fuels Fund.

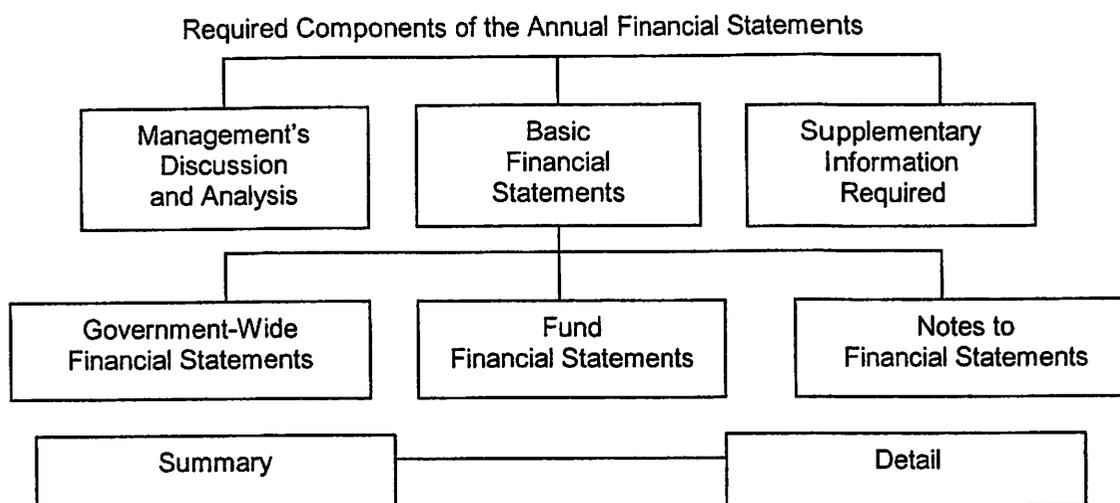
The basic financial statements present two different views of the Borough.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

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

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



**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

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

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

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

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### Government-Wide Financial Statements

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

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

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

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

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

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

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

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

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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

### **Fund Financial Statements**

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

The Borough has two kinds of funds:

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

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

The Borough adopts an annual budget for the General Fund, Liquid Fuels, 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 is presented as required supplementary information.

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

GOVERNMENT-WIDE FINANCIAL STATEMENTS**Net Assets**

The Borough's total assets were \$5,109,673 at December 31, 2008. Of this amount \$1,461,410 was capital assets at December 2008 respectively.

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

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

	<u>Governmental Activities 2007</u>	<u>Governmental Activities 2008</u>	<u>Changes from 2007 to 2008</u>
Capital Assets	\$1,565,952	\$1,461,410	\$ (104,542)
Other Assets	560,074	3,648,263	3,088,189
<b>Total Assets</b>	<b>2,126,026</b>	<b>5,109,673</b>	<b>(2,983,647)</b>
Liabilities	945,803	753,695	(192,108)
<b>Net Assets:</b>			
Invested in Capital Assets, net of related debt	858,502	858,025	(477)
Restricted Net Assets	43,703	3,080,782	3,037,079
Unrestricted Net Assets	278,018	417,171	139,153
<b>Total Net Assets</b>	<b>\$1,180,223</b>	<b>\$4,355,978</b>	<b>\$3,175,755</b>

**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

The following statement of activities represents changes in net assets for the year ended December 31, 2007 and 2008. 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**

	<u>Governmental Activities 2007</u>	<u>Governmental Activities 2008</u>	<u>Changes from 2007 to 2008</u>	<u>Percentage Change</u>
<b>Program Revenues:</b>				
Charges for Services	\$534,083	\$485,560	\$(48,523)	(10)%
Operating Grants and Contributions	292,913	485,594	192,681	39.7%
<b>General Revenues:</b>				
Real Estate Taxes	761,331	790,711	29,380	3.7%
Act 511 Taxes	520,907	489,767	(31,140)	(6.4)%
Interest Revenue	15,122	4,454	(10,668)	(239.5)%
Miscellaneous	30,857	-	(30,857)	(100)%
Proceeds from Sale of Authority	-	2,985,126	2,985,126	100%
<b>Total Revenues</b>	<b>2,155,213</b>	<b>5,241,212</b>	<b>3,085,999</b>	<b>58.9%</b>
<b>Expenses:</b>				
General Government	342,526	255,854	(86,672)	(33.9)%
Public Safety	846,527	802,650	(43,877)	(5.5)%
Public Works	590,031	827,146	237,115	28.7%
Culture and Recreation	124,371	152,802	28,431	18.6%
Interest on Long Term Debt	42,452	27,005	(15,447)	(57.2)%
<b>Total Expenses</b>	<b>1,945,907</b>	<b>2,065,457</b>	<b>119,550</b>	<b>5.8%</b>
<b>Change in Net Assets</b>	<b>209,306</b>	<b>3,175,755</b>	<b>2,966,449</b>	<b>93.4%</b>
<b>Net Assets – January 1</b>	<b>970,917</b>	<b>1,180,223</b>	<b>209,306</b>	<b>17.7%</b>
<b>Net Assets – December 31</b>	<b>\$1,180,223</b>	<b>\$4,355,978</b>	<b>\$3,175,755</b>	<b>72.9%</b>

## 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 2008, revenue from real estate taxes and act 511 taxes was \$790,711 and \$489,767 respectively.

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

	2008	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General Government	\$ 255,854	\$ (26,262)
Public Safety	802,650	(442,775)
Public Works	827,146	(487,124)
Culture and Recreation	152,802	(111,137)
Interest on Long Term Debt	27,005	(27,005)
Total	<u>\$ 2,065,457</u>	<u>\$(1,094,303)</u>

The Borough relied on real estate taxes, earned income taxes and other general revenues to fund 53.0% of its governmental activities in 2008.

## Capital Assets

The Borough's investment in capital assets at December 31, 2008, net of accumulated depreciation, was \$1,461,410. Capital assets consist primarily of land, buildings and equipment. The following is a summary of capital assets at December 31, 2008:

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

	<u>Governmental Activities 2007</u>	<u>Governmental Activities 2008</u>	<u>Changes from 2007 to 2008</u>
Land	\$ 229,794	\$ 229,794	\$ -
Buildings and Improvements	2,183,379	2,183,379	-
Equipment	586,890	592,390	5,500
Vehicles	294,881	294,881	-
Accumulated Depreciation	(1,728,992)	(1,839,034)	(110,042)
Total Net Capital Assets	<u>\$1,565,952</u>	<u>\$1,461,410</u>	<u>\$ (104,542)</u>

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

## Debt Administration

The Borough's long term debt activity for 2008 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>
Loans and Note Payable	\$683,192	-	\$99,466	\$583,726
Capital Lease	24,258	-	4,599	19,659
Compensated Absences	44,076	2,165	938	45,303
Total Long Term Debt	<u>\$751,526</u>	<u>\$2,165</u>	<u>\$105,003</u>	<u>\$648,688</u>

The Borough's long-term debt level is low. In 2008, the borough did not incur any new debt.

**FUND FINANCIAL STATEMENTS****GOVERNMENTAL FUNDS**

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

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

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Taxes are the Borough's most significant revenue source, accounting for 24.9% of 2008 Governmental revenues. The 2008 mill rate increased from 23.80 mills to 26.00. The General Fund mill rate increased from 19.15 to 20.15 mills. Street Light fund increased from 1.30 to 1.50 mills. The Recreation Fund increased from ~~1.60~~ to 1.61 mills. The Library Fund mill rate remained at 1.30. The Fire Equipment Fund increased from ~~0.00~~ to 0.44 mills. The Borough created a new fund Recycling Fund which received tax revenue at a mill rate of 1.0 mills. Licenses, fees and permits decreased were due to cost of building inspection in 2007 on a development. Additional Intergovernmental revenue was received in 2008. In October 2008, the sale of the Clarion Area Authority was finalized. The borough received in January and February 2009 the funds totaling \$2,985,126.

Governmental fund revenues by source at December 31, 2007 and 2008 were as follows:

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

Revenues:	<u>2007</u>	<u>2008</u>	<u>Percentage of Total Revenue</u>
Taxes	\$1,211,750	\$1,351,975	24.9%
Licenses, fees and permits	190,656	114,500	2.1%
Charges for services	171,185	142,375	2.6%
Fines and forfeits	129,704	147,210	2.7%
Intergovernmental	292,913	532,757	9.8%
Interest and rents	15,122	4,454	.1%
Miscellaneous income	31,774	9,415	.2%
Refunds	40,292	24,898	.5%
Loan Proceeds	94,521	-	0.0%
Proceeds from Sale of Authority	-	2,985,126	54.9%
Sale of Fixed Assets	1,328	-	0.0%
Operating Transfers	26,400	124,204	2.3%
Total revenues	<u>\$2,205,645</u>	<u>5,436,914</u>	

**GOVERNMENTAL FUND EXPENDITURES** increased 8% by \$161,439 during 2008. The increase was attributed to \$208,250 of projects in the CDBG program. The largest amount of governmental fund expenditures is incurred for public safety, which consists of the Police force, the Planning department, and fire company expenditures. This function alone accounts for 36.8% of total governmental fund expenditures. Public Works accounts for 36.8% and Administration accounts for 11.5% of the total governmental fund expenditures. Culture and Recreation is 5.3% and Debt Services is 3.8% of total governmental fund expenditures.

Governmental fund expenditures by function at December 31, 2007 and 2008 were as follows:

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

Expenditures	<u>2007</u>	<u>2008</u>	<u>% of Total Expenditures</u>
General Government	\$ 349,676	\$ 251,737	11.5%
Public Safety	920,739	808,533	36.8%
Public Works	555,390	808,730	36.8%
Culture and Recreation	88,666	117,332	5.3%
Debt Service	92,823	83,835	3.8%
Miscellaneous	-	762	0.0%
Operating Transfers	26,400	124,204	5.7%
Total Expenditures	<u>\$2,033,694</u>	<u>\$2,195,133</u>	

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

## GOVERNMENTAL FUND BALANCES

Ending Balances for Governmental Funds at December 31, 2008:

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

<u>Fund</u>	<u>Governmental Funds</u>
General Fund	\$389,990
Liquid Fuel Fund ( Highway Aid)	63
Street Lighting Fund	8,650
Recreation Fund	22,266
Capital Projects	2,985,126
Other Governmental Funds	<u>64,677</u>
Total	<u>\$3,470,772</u>

**Budgetary Highlights** – Actual General Fund revenue significantly exceeded budgeted amounts during 2008, due to significant, unanticipated increase in tax revenue as a result of sustained growth within the Borough.

**Economic Conditions** – The 2008 assessed valuation totals \$106,798,914 which 70.9% (\$75,687,756) is non-taxable and 29.1% (\$31,131,358) is taxable. The majority of the non-taxable property is with Clarion University. The Borough is limited with in the amount of real estate tax received due to the non-exempt status. In 2008 the County approved over \$312,990 in tax assessment appeals which reduces the amount of real estate tax revenue to be received. There is no growth potential within the Borough for industrial or commercial development.

**Next Year's Budget** – Borough Council decrease the tax millage in the 2009 Budget from 26 mills to 19.5 mills, a 6.5 mill decrease due to the change in the assessment valuation from 75% to 100%. The 2009 new assessment value as of November, 2009, is \$41,466,832. The change in assessment valuation allowed the Borough to decrease the millage portion. General Fund mills decreased from 20.15 mills to 15.1125 mills, Street Lighting decreased from 1.50 mills to 1.125 mills, Fire Equipment Fund decreased .44 mills to .33 mills, Library Fund 1.30 mills to .975 mills, Recreation Fund 1.61 mills to 1.2075 mills and Recycling Fund 1.00 mills to .75 mills.

#### CONTACTING THE BOROUGH'S FINANCIAL MANAGEMENT

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

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

**BOROUGH OF CLARION**  
**Statement of Net Assets**  
**December 31, 2008**

Assets	<u>Governmental Activities</u>
<b>Current Assets:</b>	
Cash and cash equivalents	\$ 232,631
Accounts receivable	25,258
Due from other governments	3,117,463
Taxes receivable, net	232,477
<b>Total Current Assets</b>	<b>3,607,829</b>
<b>Noncurrent Assets:</b>	
Land	229,794
Buildings	2,183,379
Equipment	592,390
Vehicles	294,881
Accumulated depreciation	(1,839,034)
<b>Total Capital Assets</b>	<b>1,461,410</b>
Net Pension Asset	40,434
<b>Total Noncurrent Assets</b>	<b>1,501,844</b>
<b>Total Assets</b>	<b>\$ 5,109,673</b>
<b>Liabilities</b>	
<b>Current Liabilities:</b>	
Accounts payable	\$ 72,778
Other accrued liabilities	2,442
Due to other governments	29,787
Capital Lease	4,906
Current portion of long-term debt	96,688
<b>Total Current Liabilities</b>	<b>206,601</b>
<b>Noncurrent Liabilities:</b>	
Compensated absences	45,303
Capital Lease	14,753
Non-current portion of long-term debt	487,038
<b>Total Noncurrent Liabilities</b>	<b>547,094</b>
<b>Total Liabilities</b>	<b>753,695</b>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	858,025
Restricted	
Program	95,656
Capital Projects	2,985,126
Unrestricted	417,171
<b>Total Net Assets</b>	<b>4,355,978</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 5,109,673</b>

**BOROUGH OF CLARION**  
**Statement of Activities**  
**For the Year Ended December 31, 2008**

Functions/Programs	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Primary Government:				
Governmental Activities:				
General Government - Administration	\$ 255,854	\$ 171,168	\$ 58,424	\$ (26,262)
Public Safety	802,650	274,713	85,162	(442,775)
Public Works	827,146	-	340,022	(487,124)
Culture and Recreation	152,802	39,679	1,986	(111,137)
Interest Expense	27,005	-	-	(27,005)
Total Governmental Activities	<u>2,065,457</u>	<u>485,560</u>	<u>485,594</u>	<u>(1,094,303)</u>
Total Primary Government	<u>\$ 2,065,457</u>	<u>\$ 485,560</u>	<u>\$ 485,594</u>	<u>(1,094,303)</u>

General Revenues:	
Taxes:	
Real Estate	790,711
Act 511	489,767
Interest Revenue	4,454
Proceeds from Sale of Authority	2,985,126
Total General Revenues	<u>4,270,058</u>
Change in Net Assets	3,175,755
Net Assets - Beginning	<u>1,180,223</u>
Net Assets - Ending	<u>\$ 4,355,978</u>

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

**BOROUGH OF CLARION**  
**Combined Balance Sheet - Governmental Funds**  
**December 31, 2008**

	<u>General Fund</u>	<u>Liquid Fuel Fund</u>	<u>Street Light Fund</u>	<u>Recreation Fund</u>	<u>Capital Project Fund</u>	<u>CDBG Fund</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>								
Cash and cash equivalents	\$ 130,741	\$ 3,103	\$ 15,137	\$ 17,859	\$ -	\$ 307	\$ 65,484	\$ 232,631
Accounts Receivable	25,258	-	-	-	-	-	-	25,258
Due from other governments	-	-	-	-	2,985,126	132,337	-	3,117,463
Taxes receivable	201,240	-	8,620	8,519	-	-	14,098	232,477
Due from other funds	102,796	-	-	-	-	-	-	102,796
<b>Total Assets</b>	<b>\$ 460,035</b>	<b>\$ 3,103</b>	<b>\$ 23,757</b>	<b>\$ 26,378</b>	<b>\$ 2,985,126</b>	<b>\$ 132,644</b>	<b>\$ 79,582</b>	<b>\$ 3,710,625</b>
<b>Liabilities and Fund Balance</b>								
<b>Liabilities:</b>								
Accounts payable	\$ 39,495	\$ 3,040	\$ 8,168	\$ 365	\$ -	\$ 17,550	\$ 4,160	\$ 72,778
Other accrued liabilities	2,442	-	-	-	-	-	-	2,442
Due to other funds	3,822	-	5,690	1,675	-	85,000	6,609	102,796
Due to other governments	-	-	-	-	-	29,787	-	29,787
Deferred revenues	24,286	-	1,249	2,072	-	307	4,136	32,050
<b>Total Liabilities</b>	<b>70,045</b>	<b>3,040</b>	<b>15,107</b>	<b>4,112</b>	<b>-</b>	<b>132,644</b>	<b>14,905</b>	<b>239,853</b>
<b>Fund Balances:</b>								
Reserved for:								
Program Purposes	-	63	8,650	22,266	-	-	64,677	95,656
Capital Purposes	-	-	-	-	2,985,126	-	-	2,985,126
Unreserved Fund Balance	389,990	-	-	-	-	-	-	389,990
<b>Total Fund Balances</b>	<b>389,990</b>	<b>63</b>	<b>8,650</b>	<b>22,266</b>	<b>2,985,126</b>	<b>-</b>	<b>64,677</b>	<b>3,470,772</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 460,035</b>	<b>\$ 3,103</b>	<b>\$ 23,757</b>	<b>\$ 26,378</b>	<b>\$ 2,985,126</b>	<b>\$ 132,644</b>	<b>\$ 79,582</b>	<b>\$ 3,710,625</b>

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

**BOROUGH OF CLARION**  
**Reconciliation of Governmental Funds Balance Sheet**  
**to the Statement of Net Assets**  
**December 31, 2008**

Total fund balances of governmental funds		\$ 3,470,772
Amount reported for governmental activities in the Statement of Net Assets 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 \$1,198,277 accumulated depreciation	985,102	
Equipment and Vehicles, net of \$640,757 accumulated depreciation	<u>246,514</u>	
Total Capital Assets		1,461,410
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.		
		32,050
The pension asset resulting from contributions in excess of the annual required contribution are not financial resources and therefore are not reported in the funds.		
		40,434
Long-term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities - both current and long-term--are reported in the Statement of Net Assets. Long-term liabilities at year-end consists of:		
Long-term debt	(583,726)	
Capital Lease	(19,659)	
Compensated Absences	<u>(45,303)</u>	
		<u>(648,688)</u>
Total net assets of governmental activities		<u>\$ 4,355,978</u>

**BOROUGH OF CLARION**  
**Combined Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance - Governmental Funds**  
**For the Year Ended December 31, 2008**

	General Fund	Liquid Fuel Fund	Street Light Fund	Recreation Fund	Capital Project Fund	CDBG Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>								
Real estate taxes	\$ 663,676	\$ -	\$ 52,281	\$ 57,798	\$ -	\$ -	\$ 88,453	\$ 862,208
Act 511 taxes	489,767	-	-	-	-	-	-	489,767
Licenses and permits	114,500	-	-	-	-	-	-	114,500
Fines and forfeitures	147,210	-	-	-	-	-	-	147,210
Interest and rents	3,616	174	130	118	-	75	341	4,454
Charges for services	95,055	-	-	39,309	-	-	55,174	189,538
Intergovernmental revenues	47,892	126,139	1,024	1,099	-	203,675	105,765	485,594
Refunds	24,778	-	-	120	-	-	-	24,898
Miscellaneous	9,165	-	-	250	-	-	-	9,415
<b>Total Revenues</b>	<b>1,595,659</b>	<b>126,313</b>	<b>53,435</b>	<b>98,694</b>	<b>-</b>	<b>203,750</b>	<b>249,733</b>	<b>2,327,584</b>
<b>Expenditures:</b>								
<b>Current:</b>								
Administration	215,895	-	-	-	-	-	35,842	251,737
Public Safety	759,404	-	-	-	-	-	49,129	808,533
Public works	326,233	126,323	54,150	-	-	208,250	93,774	808,730
Recreation	-	-	-	76,756	-	-	40,576	117,332
Miscellaneous	762	-	-	-	-	-	-	762
Debt service	83,835	-	-	-	-	-	-	83,835
<b>Total Expenditures</b>	<b>1,386,129</b>	<b>126,323</b>	<b>54,150</b>	<b>76,756</b>	<b>-</b>	<b>208,250</b>	<b>219,321</b>	<b>2,070,929</b>
<b>Excess (Deficiency) of Revenues Over Expenses</b>	<b>209,530</b>	<b>(10)</b>	<b>(715)</b>	<b>21,938</b>	<b>-</b>	<b>(4,500)</b>	<b>30,412</b>	<b>256,655</b>
<b>Other Financing Sources (Uses):</b>								
Proceeds from Sale of Authority	-	-	-	-	2,985,126	-	-	2,985,126
Operating transfers in	59,852	51,700	-	-	-	4,500	8,152	124,204
Operating transfers out	(59,852)	(51,700)	-	(4,500)	-	-	(8,152)	(124,204)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,500)</b>	<b>2,985,126</b>	<b>4,500</b>	<b>-</b>	<b>2,985,126</b>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<b>209,530</b>	<b>(10)</b>	<b>(715)</b>	<b>17,438</b>	<b>2,985,126</b>	<b>-</b>	<b>30,412</b>	<b>3,241,781</b>
<b>Fund Balance (Deficit)</b>								
Beginning of year	180,460	73	9,365	4,828	-	-	34,265	228,991
<b>End of year</b>	<b>\$ 389,990</b>	<b>\$ 63</b>	<b>\$ 8,650</b>	<b>\$ 22,266</b>	<b>\$ 2,985,126</b>	<b>\$ -</b>	<b>\$ 64,677</b>	<b>\$ 3,470,772</b>

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

**BOROUGH OF CLARION**  
**Reconciliation of the Governmental Funds Revenues, Expenditures and**  
**Changes in Fund Balances to the Statement of Activities**  
**For the Year Ended December 31, 2008**

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

Net change in fund balances - total governmental funds	\$ 3,241,781
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay (\$5,500) was exceeded by depreciation (\$110,042) in the current period.	(104,542)
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 12/31/07 to 12/31/08.	(71,498)
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.	7,176
The issuance of bonds and similar long-term debt provides current financial resources to governmental funds and thus contribute to the change in fund balance. In the Statement of Net Assets, however, issuing debt increases long-term liabilities and does not affect the Statement of Activities. Similarly, repayment of principal is an expenditure in the governmental funds, but reduces the liability in the Statement of Net Assets. Also, governmental funds report the effect of issuances costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The amounts of the items that make up these differences in the treatment of long-term debt and related items are:	
Debt issued or incurred:	
Principal Repayments	99,466
Capital Lease Payments	4,599
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	
Compensated Absences	(1,227)
Net change in governmental activities net assets	\$ 3,175,755

**BOROUGH OF CLARION**  
**Statement of Fiduciary Assets**  
**December 31, 2008**

	General Employees <u>Pension</u>	Police <u>Pension</u>	<u>Total</u>
<b>Assets</b>			
Cash	\$ 72,768	\$ 11,127	\$ 83,895
Investments	818,964	1,855,780	2,674,744
Receivables	<u>-</u>	<u>2,636</u>	<u>2,636</u>
Total Assets	<u>\$ 891,732</u>	<u>\$ 1,869,543</u>	<u>\$ 2,761,275</u>
<b>Liabilities</b>			
Accounts Payable	<u>\$ 264</u>	<u>\$ 1,045</u>	<u>\$ 1,309</u>
Total Liabilities	<u>264</u>	<u>1,045</u>	<u>1,309</u>
<b>Net Assets Held in Trust for Employees' Pension Benefits</b>	<u>\$ 891,468</u>	<u>\$ 1,868,498</u>	<u>\$ 2,759,966</u>

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

**BOROUGH OF CLARION**  
**Statement of Changes in Fiduciary Assets**  
**December 31, 2008**

	General Employee Pension	Police Pension	Total
<b>Additions:</b>			
Contributions:			
Member	\$ 1,543	\$ -	\$ 1,543
Commonwealth	67,940	5,326	73,266
Total Contributions	69,483	5,326	74,809
<b>Investment Income:</b>			
Net Depreciation in Fair Value of Investments	(369,130)	(688,329)	(1,057,459)
Interest	227	97	324
Dividend	28,854	62,220	91,074
Investment Income	(340,049)	(626,012)	(966,061)
Total Additions	(270,566)	(620,686)	(891,252)
<b>Deductions:</b>			
Administrative expenses	1,375	6,946	8,321
Retirement Benefits	77,935	80,402	158,337
Total Deductions	79,310	87,348	166,658
Net Decrease	(349,876)	(708,034)	(1,057,910)
<b>Net Assets Held in Trust for Employees' Pension Benefits:</b>			
Beginning of Year	1,241,344	2,576,532	3,817,876
End of Year	\$ 891,468	\$ 1,868,498	\$ 2,759,966

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

BOROUGH OF CLARION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008

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

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

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

A) Reporting Entity

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

B) Government-Wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which direct expenses of a given function or segment is affected by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1.) Charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2.) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

BOROUGH OF CLARION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2008

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 an expenditure. 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, 2008

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

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

The Borough reports the following major governmental funds:

- The General Fund is the primary government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Liquid Fuel Fund (Highway Aid) is used to account for financial resources to be used to provide funds and service to maintain the boroughs roads and streets.
- The Street Light Fund is used to account for financial resources to be used to provide funds and services for the Borough's street lights.
- 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.
- Capital Project Fund is used to account for capital projects within the Borough. The Capital Project Fund was created from the sale of the Clarion Area Authority on October 30, 2008. The funds can be used only for capital projects. As part of the sale agreement the Borough must allocate annually for the next ten years starting in 2009, \$15,000 to be paid to the Fire Company, Borough Library and the Park programs. The total allocation to paid over ten years is \$450,000.
- The CDBG Fund is used to account for financial resources to be used to provide funds and services for the Borough's community development activities.

Additionally, the Borough reports the following fund type:

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

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

BOROUGH OF CLARION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2008

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

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

1. Cash and Cash Equivalents

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

2. Receivables and Payables

• Interfund Receivables and Payables

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

3. Capital Assets

Capital assets, which include property, plant and equipment and infrastructure assets, and 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 costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

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

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

<u>Asset</u>	<u>Years</u>
Buildings and Improvements	40
Vehicles	5
Equipment	7

BOROUGH OF CLARION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2008

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

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

4. Compensated Absences

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

5. Long-Term Obligations

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

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

6. Unearned / Deferred Revenues

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

BOROUGH OF CLARION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2008

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

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

7. Net Assets/Fund Balances

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

- *Invested In Capital Assets, Net of Related Debt* – This category groups all capital assets into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- *Restricted Net Assets* – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Assets* – This category represents net assets of the Borough, not restricted for any project or other purpose.

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

8. Interfund Transactions

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

9. Accounting Estimates

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

BOROUGH OF CLARION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2008

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

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

10. Adoption of Governmental Accounting Standards

The Borough adopted the provisions of GASB's Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation", GASB Statement No. 50, "Pension Disclosures", GASB issued Statement No. 55, *The Hierarchy of Accepted Accounting Principles for State and Local Governments*, and GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*".

The adoption of these statements had no effect on the financial reporting information of the Borough.

11. Pending Changes in Accounting Principles

In July 2007, the GASB issued Statement No. 51, "Accounting and Financial Reporting for Intangible Assets". The Borough is required to adopt Statement No. 51 for its calendar year 2010 financial statements.

In November 2007 the GASB issued Statement No. 52 "Land and Other Real Estate Held as Investments by Endowments". The Borough is required to adopt Statement No. 52 for its calendar year 2009 financial statements.

In June 2008 the GASB issued Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments". The Borough is required to adopt Statement No. 53 for its calendar year 2010 financial statements.

In March 2009, the GASB issued Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*." The County is required to adopt Statement No. 54 for its calendar year 2011 financial statements.

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

BOROUGH OF CLARION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2008

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

E) Budgets and Budgetary Accounting

Legal Requirements

Commonwealth of Pennsylvania statutes require that Borough Governments establish budgetary systems and adopt annual operating budgets. The Borough's annual budget includes the General Fund and certain special revenue funds, and is based on estimates of revenues and expenditures approved by the Borough Council. The Borough adopted the 2008 budget on the same basis of accounting as reported in the financial statements. The Borough follows these procedures in establishing the budgetary data reflected in the financial statements:

Borough Budget Process

1. During the fall, the Borough Manager prepares a preliminary budget which is submitted to the Council for review.
2. The Council reviews the preliminary projections of revenues and expenditures incorporating any revisions or adjustments.
3. The Council advertise 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, 2008

## 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, 2008 were as follows:

Deposits - Governmental Activities	
Cash	\$ 232,631
Total Governmental Activities	232,631
Deposits - Pension Trust Funds	
Cash	83,895
Investments - Pension Trust Funds	
Growth Funds	238,027
Fixed Income Mutual Funds	825,461
Other Mutual Funds	1,611,256
Total Investments	2,674,744
Total Deposits and Investments -	

The Pension Funds had the following debt investments and maturities:

Investment Type	Fair Value	Less Than 1	1-5	6-10	More Than 10
Fixed Income Mutual Fund	\$ 825,461	\$ -	\$ 825,461	\$ -	\$ -

*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, 2008, the Pension Funds investments in fixed income mutual funds were not rated by Standard & Poor's.

*Custodial Credit Risk.* For deposits and investments, custodial credit risk is the risk that in the event of the failure of the counterparty, the Borough will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Total deposits held by outside parties at December 31, 2008 were \$229,859 with a book value of \$232,631. Of the Borough's \$229,859 in deposits, zero dollars 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, 2008. The Borough does not have a formal investment policy related to custodial credit risk.

BOROUGH OF CLARION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2008

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 2008 are recorded as receivables, net of estimated uncollectibles. The net receivables collected during 2008 and expected to be collected within the first sixty (60) days of 2009 are recognized as revenue in 2008. 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 2008, was 20.15 mills for general purposes, 1.30 for the library, .44 for fire equipment, 1.50 for street lights, 1.61 mills for recreation, and 1.00 mills for Recycling Fund purposes on a total Borough assessed valuation of \$31,348,360.

BOROUGH OF CLARION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2008

## NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2008, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
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	2,183,379	-	-	2,183,379
Equipment	586,890	5,500	-	592,390
Vehicles	294,881	-	-	294,881
Total capital assets, being depreciated	<u>3,065,150</u>	<u>5,500</u>	<u>-</u>	<u>3,070,650</u>
Less accumulated depreciation for:				
Buildings and Improvements	(1,132,848)	(65,429)	-	(1,198,277)
Equipment	(460,418)	(21,645)	-	(482,063)
Vehicles	(135,726)	(22,968)	-	(158,694)
Total accumulated depreciation	<u>(1,728,992)</u>	<u>(110,042)</u>	<u>-</u>	<u>(1,839,034)</u>
Total Capital Assets, being depreciated, net	<u>1,336,158</u>	<u>(104,542)</u>	<u>-</u>	<u>1,231,616</u>
Total Capital Assets, net	<u>\$ 1,565,952</u>	<u>(104,542)</u>	<u>-</u>	<u>\$ 1,461,410</u>

BOROUGH OF CLARION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2008

## NOTE 4: CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions/programs as follows:

Governmental Activities

General government – Administrative	\$ 3,278
Public safety	19,784
Public works	51,510
Culture and recreation	<u>35,470</u>
Total Depreciation Expense, Governmental Activities	<u>\$ 110,042</u>

## NOTE 5: EMPLOYEES RETIREMENT PLANS

A. Pension Trust FundsPlan Description

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

At January 1, 2007, the date of the most recent actuarial valuation, participants in the plans are as follows:

Participants:	<u>General Employees'</u>	<u>Police</u>
Retirees and beneficiaries	5	6
Terminated employees entitled to benefits but not yet receiving them	-	2
Active employees:	<u>9</u>	<u>8</u>
Total	<u>14</u>	<u>16</u>

BOROUGH OF CLARION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2008

## NOTE 5: EMPLOYEES RETIREMENT PLANS (CONTINUED)

A. Pension Trust Funds (Continued)Plan Description (Continued)

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

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

## B. Funding Status and Progress

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

The pension obligations, which are actuarially determined on a biannual basis, have been calculated as of January 1, 2007. 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.

BOROUGH OF CLARION  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2008

NOTE 5: EMPLOYEES RETIREMENT PLANS (CONTINUED)

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

	<u>General Employees'</u>	<u>Police</u>	<u>Total</u>
Annual Required Contribution (ARC)	\$ 59,231	\$ 5,326	\$64,557
Interest on NPO	(1,882)	(612)	(2,494)
Adjustment to the ARC	<u>3,150</u>	<u>877</u>	<u>4,027</u>
Annual Pension Cost	60,499	5,591	66,090
Contributions made	<u>67,940</u>	<u>5,326</u>	<u>73,266</u>
Change in NPO	(7,447)	265	(7,176)
NPO, Beginning of Year	<u>(25,097)</u>	<u>(8,161)</u>	<u>(33,258)</u>
NPO, End of Year	<u>\$ (32,538)</u>	<u>\$ (7,896)</u>	<u>\$(40,434)</u>

BOROUGH OF CLARION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2008

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

	<u>Calendar Year</u>	<u>Annual Required Contribution</u>	<u>Percentage of Annual Required Contribution Contributed</u>
General Employees' Pension Plan	2006	\$ 55,788	100%
	2007	55,680	104%
	2008	59,231	115%
Police Pension Plan	2006	\$ 4,704	100%
	2007	10,727	100%
	2008	5,326	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 employee has the option to receive payment of \$30 per day of his/her unused sick days, up to a maximum of 18 days. At retirement any employee may sell back accumulated unused sick leave up to the maximum amount. At December 31, 2008, the total liability for compensated absences was \$45,303.

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, 2008

## NOTE 7: LONG-TERM LIABILITIES

A summary of changes in long-term liabilities follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<u>Governmental Activities:</u>					
Loans and Note payable:					
Loans and Note	\$ 683,192	\$ -	\$ 99,466	\$ 583,726	\$ 96,688
Total bonds, notes and loans payable	683,192	-	99,466	583,726	96,688
Capital Lease	24,258	-	4,599	19,659	4,906
<u>Other Liabilities:</u>					
Compensated absences	44,076	2,165	938	45,303	-
Total Other Liabilities	44,076	2,165	938	45,303	-
 Governmental Activities Long-Term Liabilities	 \$ 751,526	 \$2,165	 \$ 105,003	 \$ 648,688	 \$ 101,594

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

Years Ended December 31:	<u>Principal Requirements</u>	<u>Interest Requirements</u>	<u>Total Debt Service Requirements</u>
2009	\$96,688	\$25,391	\$122,079
2010	71,682	21,311	92,993
2011	54,610	18,494	73,104
2012	44,465	16,221	60,686
2013	46,672	14,103	60,775
2014 – 2018	269,609	33,822	303,431
	<u>\$ 583,726</u>	<u>\$ 129,342</u>	<u>\$ 713,068</u>

BOROUGH OF CLARION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2008

## 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, 2008</u>
2003	\$ 650,000	General Obligation Note, Series of 2003, with monthly installments of \$5,057 through December 2018; interest rate of 4.75%; proceeds used to repay series of 2000 loan.	\$ 482,294
2004	50,000	Loan to be paid in 60 monthly installments of \$915 starting in June 2004 through June 2009 with an interest rate of 3.75%. Proceeds were used to purchase a truck.	5,432
2005	75,000	Loan to be paid in 60 monthly installments of \$1,403 starting in September 2005 through September 2010 with an interest rate of 4.65%. Proceeds were used to purchase parking meters.	28,252
2006	60,886	Loan to be paid in 60 monthly installments of \$1,129 starting in December 2006 through November 2011 with an interest rate of 4.22%. Proceeds were used to purchase a truck.	37,088
2007	10,103	Loan to be paid in 24 monthly installments of \$451.11 starting in November 2007 through October 2009 with an interest rate of 6.625%. Proceeds were used to purchase the phone system.	4,376
2007	29,273	Loan to be paid in 36 monthly installments of \$873.10 starting in April 2007 through April 2010 with an interest rate of 4.60%. Proceeds were used to purchase a police vehicle.	12,699
2007	29,419	Loan to be paid in 36 monthly installments of \$877.41 starting in May 2007 through April 2010 with an interest rate of 4.60%. Proceeds were used to purchase a police vehicle	13,585
Total			<u>\$ 583,726</u>

During 2008 the Borough issued a Tax Anticipation Note in the amount of \$300,000 bearing interest at 3.30% per annum. The note was paid in full during 2008.

BOROUGH OF CLARION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2008

## NOTE 8: LEASE AGREEMENT

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

Future minimum lease payments at December 31, 2008 and present value of capital lease obligations were:

Year Ended December 31:	Governmental Activities
2009	\$ 6,040
2010	6,040
2011	6,040
2012	<u>4,026</u>
Total Minimum Lease Payments	22,146
Less: Amount Representing Interest	<u>2,487</u>
Present value of net minimum lease payments	19,659
Less: amount due within one year	<u>4,906</u>
Net Amount Due	<u>\$14,753</u>

## NOTE 9: INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances consist of the following at December 31, 2008:

Governmental Funds:	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 102,796	\$ 3,822
Street Light Fund	-	5,690
Recreation Fund	-	1,675
CDBG Fund	-	85,000
Escrow Fund	-	<u>6,609</u>
Total Governmental Funds	<u>102,796</u>	<u>102,796</u>
Total Interfund Receivables and Payables	<u>\$ 102,796</u>	<u>\$ 102,796</u>

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

BOROUGH OF CLARION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2008

## NOTE 10: INTERFUND OPERATING TRANSFERS

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

Governmental Funds:	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 59,852	\$ 59,852
Liquid Fuel Fund	51,700	51,700
Recreation Fund	-	4,500
CDBG	4,500	-
Recycling Fund	8,152	8,152
Total Governmental Funds	<u>124,204</u>	<u>124,204</u>
Total Interfund Operating Transfers	<u>\$ 124,204</u>	<u>\$ 124,204</u>

## NOTE 11: RESERVED FUND BALANCES/NET ASSETS

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

Governmental Funds

<u>Liquid Fuel Fund ( Highway Aid )</u> Reserved for program purposes.	<u>\$63</u>
<u>Street Light Fund</u> Reserved for program purpose.	<u>\$8,650</u>
<u>Recreation Fund</u> Reserved for program purpose.	<u>\$22,266</u>
<u>Non-Major Funds</u> Reserved for program purpose.	<u>\$64,677</u>

Fiduciary Funds

<u>General Employee Pension Trust Fund</u> This amount represents amounts restricted for payment of pension benefits	<u>\$891,468</u>
<u>Police Pension Trust Fund</u> This reserve represents amounts restricted for the payment of Police pension benefits.	<u>\$1,868,498</u>

BOROUGH OF CLARION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2008

NOTE 12: LITIGATION

In the normal course of business, there are various claims and suits pending against the Borough and its elected officials. Management is of the opinion that these matters will not have a material adverse effect on the Borough's financial position at December 31, 2008.

NOTE 13: LEGAL COMPLIANCE

For the year ended December 31, 2008, Street Light Fund's total expenditures exceeded total appropriations by \$6,080 and the Recreation Fund's total expenditures exceeded total appropriations by \$21,406. Additional revenues earned in the current year provided the funds for those over expenditures.

NOTE 14: SUBSEQUENT EVENTS

During January 2009 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 2.91%.

On October 30, 2008, the assets of the Clarion Area Authority were sold to Pennsylvania American Water Company. On January 29, 2009 the Clarion Area Authority transferred to Clarion Borough a certificate of deposit in the amount of \$2,737,096 and a checking account value of \$248,030 for a total of \$2,985,126.

Subsequent to December 31, 2008, the capital credit market experienced significant events which negatively impacted the availability and cost of credit. The negative events in the credit market as well as the general economic conditions in the United States and worldwide have caused a significant decrease in the investment values of the pension assets either directly invested or tied to the equity markets. These declines, at present, are expected to be temporary and not permanent declines, however equity market recovery, if it occurs, may take some time. The major resulting impact of the equity market decline on Clarion Borough will be in the form of increased annual required contributions (ARC) and increased pension expense with respect to the Borough's pension plan.

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, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Real Estate Taxes	\$ 625,260	\$ 625,260	\$ 663,676	\$ 38,416
Act 511 Taxes	388,138	388,138	489,767	101,629
Licenses and Permits	115,050	115,050	114,500	(550)
Fines	117,586	117,586	147,210	29,624
Interest and Rents	10,600	10,600	3,616	(6,984)
Intergovernmental Revenues	41,750	41,750	47,892	6,142
Charges for Services	79,000	79,000	95,055	16,055
Miscellaneous	10,600	10,600	9,165	(1,435)
Refunds	20,500	20,500	24,778	4,278
<b>Total Revenues</b>	<u>1,408,484</u>	<u>1,408,484</u>	<u>1,595,659</u>	<u>187,175</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Administration	243,765	243,765	215,895	27,870
Public Safety	760,570	760,570	759,404	1,166
Public Works	360,810	360,810	326,233	34,577
Miscellaneous	-	-	762	(762)
Debt Service	89,450	89,450	83,835	5,615
<b>Total Expenditures</b>	<u>1,454,595</u>	<u>1,454,595</u>	<u>1,386,129</u>	<u>68,466</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	(46,111)	(46,111)	209,530	255,641
<b>Other Financing Sources (Uses)</b>				
Operating Transfers In	-	-	59,852	59,852
Operating Transfers (Out)	(25,000)	(25,000)	(59,852)	(34,852)
<b>Total Other Financing Sources (Uses)</b>	<u>(25,000)</u>	<u>(25,000)</u>	<u>-</u>	<u>25,000</u>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures</b>	<u>(71,111)</u>	<u>(71,111)</u>	<u>209,530</u>	<u>280,641</u>
<b>Fund Balances - January 1, 2008</b>	<u>180,460</u>	<u>180,460</u>	<u>180,460</u>	<u>-</u>
<b>Fund Balances - December 31, 2008</b>	<u>\$ 109,349</u>	<u>\$ 109,349</u>	<u>\$ 389,990</u>	<u>\$ 280,641</u>

**BOROUGH OF CLARION**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance -**  
**Liquid Fuel Fund ( Highway Aid ) - Budget to Actual**  
**For the Year Ended December 31, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental Revenue	\$ 126,630	\$ 126,630	\$ 126,139	(491)
Interest and Rents	500	500	174	(326)
<b>Total Revenues</b>	<b>127,130</b>	<b>127,130</b>	<b>126,313</b>	<b>(817)</b>
<b>Expenditures:</b>				
Current:				
Public Works	127,130	127,130	126,323	807
<b>Total Expenditures</b>	<b>127,130</b>	<b>127,130</b>	<b>126,323</b>	<b>807</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	-	-	(10)	(10)
<b>Other Financing Sources (Uses)</b>				
Operating Transfer In	-	-	51,700	51,700
Operating Transfer (Out)	-	-	(51,700)	(51,700)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures</b>	<b>-</b>	<b>-</b>	<b>(10)</b>	<b>(10)</b>
<b>Fund Balances - January 1, 2008</b>	<b>73</b>	<b>73</b>	<b>73</b>	<b>-</b>
<b>Fund Balances - December 31, 2008</b>	<b>\$ 73</b>	<b>\$ 73</b>	<b>\$ 63</b>	<b>\$ (10)</b>

**BOROUGH OF CLARION**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance -**  
**Street Light Fund - Budget to Actual**  
**For the Year Ended December 31, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Real Estate Taxes	\$ 47,920	\$ 47,920	\$ 52,281	\$ 4,361
Intergovernmental Revenues	-	-	1,024	1,024
Interest and Rents	150	150	130	(20)
<b>Total Revenues</b>	48,070	48,070	53,435	5,365
<b>Expenditures:</b>				
Current:				
Public Works	48,070	48,070	54,150	(6,080)
<b>Total Expenditures</b>	48,070	48,070	54,150	(6,080)
<b>Excess of Revenues Over (Under) Expenditures</b>	-	-	(715)	(715)
<b>Other Financing Sources (Uses)</b>				
Capital Lease Proceeds	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	-	-	-	-
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures</b>	-	-	(715)	(715)
<b>Fund Balances - January 1, 2008</b>	9,365	9,365	9,365	-
<b>Fund Balances - December 31, 2008</b>	<u>\$ 9,365</u>	<u>\$ 9,365</u>	<u>\$ 8,650</u>	<u>\$ (715)</u>

**BOROUGH OF CLARION**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance -**  
**Recreation Fund - Budget to Actual**  
**For the Year Ended December 31, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Real Estate Taxes	\$ 47,390	\$ 47,390	\$ 57,798	\$ 10,408
Interest and Rents	120	120	118	(2)
Charges for Services	29,200	29,200	39,309	10,109
Intergovernmental Revenue	-	-	1,099	
Miscellaneous	325	325	250	(75)
Refunds of Prior Year Expenditures	500	500	120	(380)
<b>Total Revenues</b>	<u>77,535</u>	<u>77,535</u>	<u>98,694</u>	<u>21,159</u>
<b>Expenditures:</b>				
Current:				
Recreation	55,350	55,350	76,756	(21,406)
<b>Total Expenditures</b>	<u>55,350</u>	<u>55,350</u>	<u>76,756</u>	<u>(21,406)</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	22,185	22,185	21,938	(247)
<b>Other Financing Sources (Uses)</b>				
Operating Transfers (Out)	-	-	(4,500)	(4,500)
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>(4,500)</u>	<u>(4,500)</u>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures</b>	<u>22,185</u>	<u>22,185</u>	<u>17,438</u>	<u>(4,747)</u>
<b>Fund Balances (Deficit) - January 1, 2008</b>	<u>4,828</u>	<u>4,828</u>	<u>4,828</u>	<u>-</u>
<b>Fund Balances - December 31, 2008</b>	<u>\$ 27,013</u>	<u>\$ 27,013</u>	<u>\$ 22,266</u>	<u>\$ (4,747)</u>

BOROUGH OF CLARION  
 REQUIRED SUPPLEMENTARY INFORMATION  
 GENERAL EMPLOYEES' PENSION PLAN  
 DECEMBER 31, 2008

SCHEDULE OF FUNDING PROGRESS

<u>Year Ending January 1</u>	<u>Actuarial Valuation Date</u>	(1) <u>Actuarial Value Of Assets</u>	(2) <u>Actuarial Accrued Liability (AAL) – Entry Age</u>	(3) <u>Unfunded AAL (UAAL)</u>	(4) <u>Funded Ratio</u>	(5) <u>Covered Payroll</u>	(6) <u>UAAL as a % of Covered Payroll</u>
2001	1/1/2001	\$ 775,294	\$ 754,240	\$(21,054)	102.8%	\$ 257,350	N/A
2003	1/1/2003	765,648	968,836	203,188	79.0	257,609	78.9%
2005	1/1/2005	950,643	1,100,736	150,093	86.4	287,910	52.1
2007	1/1/2007	1,150,865	1,264,858	113,993	91.0	300,365	37.9

BOROUGH OF CLARION  
 REQUIRED SUPPLEMENTARY INFORMATION  
 POLICE PENSION PLAN  
 DECEMBER 31, 2008

SCHEDULE OF FUNDING PROGRESS

Year Ending <u>January 1</u>	Actuarial Valuation <u>Date</u>	(1) Actuarial Value <u>Of Assets</u>	(2) Actuarial Accrued Liability (AAL) <u>- Entry Age</u>	(3) Unfunded AAL <u>(UAAL)</u>	(4) <u>Funded Ratio</u>	(5) Covered <u>Payroll</u>	(6) UAAL as a % of Covered <u>Payroll</u>
2001	1/1/2001	\$ 2,085,026	\$ 1,176,707	\$ (908,319)	177.2%	\$ 276,568	N/A
2003	1/1/2003	1,911,677	1,461,773	(449,904)	130.8	340,714	N/A
2005	1/1/2005	2,241,319	1,666,363	(574,956)	134.5	328,135	N/A
2007	1/1/2007	2,482,485	1,855,837	(626,648)	133.8	374,833	N/A

OTHER  
SUPPLEMENTARY  
INFORMATION

**BOROUGH OF CLARION**  
**Combined Balance Sheet - Special Revenue Funds**  
**December 31, 2008**

	<u>Fire Equipment Fund</u>	<u>Library Fund</u>	<u>Recycling Fund</u>	<u>Escrow Fund</u>	<u>Pension Fund</u>	<u>Housing Rehab Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Assets</b>							
Cash and cash equivalents	\$ 801	\$ 3,143	\$ 4,098	\$ 40,964	\$ 4,098	\$ 12,380	\$ 65,484
Taxes receivable	2,464	7,280	4,354	-	-	-	14,098
<b>Total Assets</b>	<b>\$ 3,265</b>	<b>\$ 10,423</b>	<b>\$ 8,452</b>	<b>\$ 40,964</b>	<b>\$ 4,098</b>	<b>\$ 12,380</b>	<b>\$ 79,582</b>
<b>Liabilities and Fund Balance</b>							
<b>Liabilities:</b>							
Accounts payable	\$ -	\$ 2,000	\$ 2,160	\$ -	\$ -	\$ -	\$ 4,160
Due to other funds	-	-	-	6,609	-	-	6,609
Deferred revenue	430	1,271	2,435	-	-	-	4,136
<b>Total Liabilities</b>	<b>430</b>	<b>3,271</b>	<b>4,595</b>	<b>6,609</b>	<b>-</b>	<b>-</b>	<b>14,905</b>
<b>Fund Balances:</b>							
Reserved for Program Purposes	2,835	7,152	3,857	34,355	4,098	12,380	64,677
<b>Total Fund Equity</b>	<b>2,835</b>	<b>7,152</b>	<b>3,857</b>	<b>34,355</b>	<b>4,098</b>	<b>12,380</b>	<b>64,677</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,265</b>	<b>\$ 10,423</b>	<b>\$ 8,452</b>	<b>\$ 40,964</b>	<b>\$ 4,098</b>	<b>\$ 12,380</b>	<b>\$ 79,582</b>

**BOROUGH OF CLARION**  
**Combined Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Special Revenue Funds**  
**For the Year Ended December 31, 2008**

	Fire Equipment Fund	Library Fund	Recycling Fund	Escrow Fund	Pension Fund	Housing Rehab Fund	Total Nonmajor Governmental Funds
<b>Revenues:</b>							
Real estate taxes	\$ 15,488	\$ 44,003	\$ 28,962	\$ -	\$ -	\$ -	\$ 88,453
Interest and rents	29	22	47	151	92	-	341
Charges for Services	-	-	-	55,174	-	-	55,174
Intergovernmental revenues	300	887	683	-	103,895	-	105,765
<b>Total Revenues</b>	<b>15,817</b>	<b>44,912</b>	<b>29,692</b>	<b>55,325</b>	<b>103,987</b>	<b>-</b>	<b>249,733</b>
<b>Expenditures:</b>							
<b>Current:</b>							
Administration	-	-	-	30,516	5,326	-	35,842
Public Safety	18,500	-	-	-	30,629	-	49,129
Public Works	-	-	25,835	-	67,939	-	93,774
Culture and Recreation	-	40,576	-	-	-	-	40,576
<b>Total Expenditures</b>	<b>18,500</b>	<b>40,576</b>	<b>25,835</b>	<b>30,516</b>	<b>103,894</b>	<b>-</b>	<b>219,321</b>
<b>Excess of Revenues Over Expenditures</b>	<b>(2,683)</b>	<b>4,336</b>	<b>3,857</b>	<b>24,809</b>	<b>93</b>	<b>-</b>	<b>30,412</b>
<b>Other Financing Sources (Uses):</b>							
Operating transfers in	-	-	8,152	-	-	-	8,152
Operating transfers out	-	-	(8,152)	-	-	-	(8,152)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<b>(2,683)</b>	<b>4,336</b>	<b>3,857</b>	<b>24,809</b>	<b>93</b>	<b>-</b>	<b>30,412</b>
<b>Fund Balance (Deficit)</b>							
Beginning of year	5,518	2,816	-	9,546	4,005	12,380	34,265
End of year	<b>\$ 2,835</b>	<b>\$ 7,152</b>	<b>\$ 3,857</b>	<b>\$ 34,355</b>	<b>\$ 4,098</b>	<b>\$ 12,380</b>	<b>\$ 64,677</b>