

BOROUGH OF ASHLEY, PENNSYLVANIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2009

BOROUGH OF ASHLEY, PENNSYLVANIA

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditors' Report	1
Combined Statement of Assets and Liabilities Arising from Cash Transactions All Fund Types and Account Group	2
Combined Statement of Revenue Collected and Expenditures Paid All Governmental Fund Types and Expendable Trust Fund	3-4
General Fund Statement of Revenue Collected and Expenditures Paid Budget and Actual.....	5
Notes to Financial Statements	6-11
SUPPLEMENTARY FINANCIAL DATA:	
Combining Statement of Assets and Liabilities Arising from Cash Transactions Special Revenue Funds	13
Combining Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balance - Special Revenue Funds	14

INDEPENDENT AUDITORS' REPORT

Members of Council
Borough of Ashley, Pennsylvania

We were engaged to audit the accompanying financial statements of the Borough of Ashley, Pennsylvania as of December 31, 2009, and for the year then ended. These financial statements are the responsibility of the Borough's management.

Because of inadequacies in the Borough's accounting records, we were unable to form an opinion regarding the amounts recorded as revenue collected and expenditures paid in the accompanying combined statement of revenue collected and expenditures paid (stated at \$749,396 and \$747,713 respectively).

Since revenue collected and expenditures paid materially affect the determination of financial position and results of operations, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements referred to in the first paragraph.

Forty Fort, Pennsylvania
July 19, 2010

BOROUGH OF ASHLEY, PENNSYLVANIA
Combined Statement of Assets and Liabilities Arising from Cash Transactions
All Fund Types and Account Group
December 31, 2009

	Government Fund Type				Fiduciary Fund Type Trust and Agency	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects		
ASSETS						
Cash	\$ 13,069	\$ 75,038	\$ -	\$ 766	\$ -	\$ 88,873
Amount to be provided for long-term debt	-	-	-	-	-	-
Total assets	<u>\$ 13,069</u>	<u>\$ 75,038</u>	<u>\$ -</u>	<u>\$ 766</u>	<u>\$ -</u>	<u>\$ 88,873</u>
LIABILITIES AND FUND BALANCE						
Payroll taxes and benefits withheld	\$ <u>3,237</u>	\$ -	\$ -	\$ -	\$ -	\$ <u>3,237</u>
Total liabilities	<u>3,237</u>	-	-	-	-	<u>3,237</u>
Fund balance (deficit):						
Unreserved	<u>9,832</u>	<u>75,038</u>	-	<u>766</u>	-	<u>85,636</u>
Fund balance	<u>9,832</u>	<u>75,038</u>	-	<u>766</u>	-	<u>85,636</u>
Total liabilities and fund balance	<u>\$ 13,069</u>	<u>\$ 75,038</u>	<u>\$ -</u>	<u>\$ 766</u>	<u>\$ -</u>	<u>\$ 88,873</u>

See accompanying notes to financial statements.

BOROUGH OF ASHLEY, PENNSYLVANIA
Combined Statement of Revenue Collected and Expenditures Paid
All Governmental Fund Types and Expendable Trust Fund
Year Ended December 31, 2009

	Government Fund Type				Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Revenue collected:					
Taxes	\$ 332,958	\$ 32,563	\$ -	\$ -	\$ 365,521
Licenses and permits	22,751	-	-	-	22,751
Fines and forfeits	16,947	-	-	-	16,947
Interest earnings	133	117	-	4	254
Charges for services	215,766	63,436	-	-	279,202
Insurance reimbursement	-	-	-	-	-
Intergovernmental revenues	1,923	59,959	-	-	61,882
Insurance and benefits	<u>2,839</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,839</u>
Total revenue collected	<u>593,317</u>	<u>156,075</u>	<u>-</u>	<u>4</u>	<u>749,396</u>
Expenditures paid:					
Current:					
General government	104,936	-	-	-	104,936
Public safety	243,335	-	-	-	243,335
Project expenses	-	-	-	-	-
Health and welfare	-	-	-	-	-
Sanitation	138,308	-	-	-	138,308
Public works	126,082	52,088	-	-	178,170
Employee benefits and insurance	78,461	-	-	-	78,461
Debt service	<u>-</u>	<u>-</u>	<u>4,503</u>	<u>-</u>	<u>4,503</u>
Total expenditures paid	<u>691,122</u>	<u>52,088</u>	<u>4,503</u>	<u>-</u>	<u>747,713</u>
Excess (deficiency) of revenue collected over expenditures paid	<u>(97,805)</u>	<u>103,987</u>	<u>(4,503)</u>	<u>4</u>	<u>1,683</u>

See accompanying notes to financial statements.

BOROUGH OF ASHLEY, PENNSYLVANIA
Combined Statement of Revenue Collected and Expenditures Paid
All Governmental Fund Types and Expendable Trust Fund - continued
Year Ended December 31, 2009

	Government Fund Type				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Other financing sources (uses):					
Operating transfers in	57,594	8,758	4,503	-	70,855
Operating transfers out	(15,270)	(55,585)	-	-	(70,855)
Principal repayments	-	-	-	-	-
 Total other financing sources (uses)	<u>42,324</u>	<u>(46,827)</u>	<u>4,503</u>	-	-
 Excess (deficiency) of revenue collected and other sources over expenditures paid and other uses	<u>(55,481)</u>	<u>57,160</u>	-	<u>4</u>	<u>1,683</u>
 Fund balance - beginning	<u>65,313</u>	<u>17,878</u>	-	<u>762</u>	<u>83,953</u>
 Fund balance (deficit) - ending	<u>\$ 9,832</u>	<u>\$ 75,038</u>	-	<u>\$ 766</u>	<u>\$ 85,636</u>

See accompanying notes to financial statements.

BOROUGH OF ASHLEY, PENNSYLVANIA
General Fund
Statement of Revenue Collected and Expenditures Paid
Budget and Actual
Year Ended December 31, 2009

	<u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
Revenue collected:			
Taxes	\$ 355,800	\$ 332,958	\$ (22,842)
Licenses and permits	31,000	22,751	(8,249)
Fines and forfeits	18,765	16,947	(1,818)
Interest earnings	970	133	(837)
Charges for services	223,250	215,766	(7,484)
Insurance reimbursement	-	-	-
Intergovernmental revenues	39,365	1,923	(37,442)
Insurance and benefits	<u>100</u>	<u>2,839</u>	<u>2,739</u>
Total revenue collected	<u>669,250</u>	<u>593,317</u>	<u>(75,933)</u>
Expenditures paid:			
Current:			
General government	108,550	104,936	3,614
Public safety	234,900	243,335	(8,435)
Project expenses	-	-	-
Health and welfare	975	-	975
Sanitation	195,910	138,308	57,602
Public works	50,490	126,082	(75,592)
Parks and recreation	5,000	-	5,000
Miscellaneous	<u>73,425</u>	<u>78,461</u>	<u>(5,036)</u>
Total expenditures paid	<u>669,250</u>	<u>691,122</u>	<u>(21,872)</u>
Excess (deficiency) of revenue collected over expenditures paid	-	(97,805)	(97,805)
Other financing sources:			
Operating transfers in	-	57,594	57,594
Operating transfers out	<u>-</u>	<u>(15,270)</u>	<u>(15,270)</u>
Total other financing sources	<u>-</u>	<u>42,324</u>	<u>42,324</u>
Excess (deficiency) of revenue collected and other sources (uses) over expenditures paid and other sources	-	(55,481)	(55,481)
Fund balance - beginning	<u>-</u>	<u>65,313</u>	<u>65,313</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 9,832</u>	<u>\$ 9,832</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

**BOROUGH OF ASHLEY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 1. ORGANIZATION AND REPORTING ENTITY:

The Borough of Ashley (the Borough) is located in Northeastern Pennsylvania. It was incorporated on April 19, 1874. The Borough operates under the council-mayor form of government. Council is comprised of six elected members. Council is the chief policy making body and is elected for a four-year term. The council also appoints a secretary/manager. The mayor is also elected to a four-year term and is the head of the executive and administrative branch of city government. The Borough provides public safety (police and fire), sanitation, public works, culture and recreation, community development, and general administrative services to its residents.

Government Accounting Standards Board (GASB), Codification Section 2100 - *Defining the Governmental Reporting Entity*, provides guidance in determining the governmental activities, organizations and functions that should be included in the governing entity's financial statements. The criteria for inclusion are defined as:

1. Manifestation of oversight relating to:
 - a. financial independency
 - b. selections of governing authority
 - c. designation of management
 - d. ability to significantly influence management
 - e. accountability for fiscal matters

2. Scope of public service relating to:
 - a. benefits of reporting entity and/or its residents
 - b. geographic boundaries

The Borough does not have any relationships with other governmental units which would require inclusion as component units.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Borough implements fund accounting, a practice recognized as generally accepted for governments.

A fund is described as a fiscal accounting entity with a self-balancing set of accounts where cash and other financial resources are recorded, together with all related liabilities and residual equities or balances, and changes therein, all of which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

**BOROUGH OF ASHLEY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued:

The following paragraphs describe the fund accounting structure of the Borough.

Governmental Fund Types

Governmental funds are those through which most governmental functions of the Borough are recorded. The Borough's expendable, available financial resources are recorded in governmental funds wherein the measurement focus is on changes in financial position, rather than on net income. Following are descriptions of the Borough's governmental fund types:

General Fund

The General Fund accounts for all financial transactions except those required to be recorded in another fund. Operating activities recorded in the General Fund include administrative and service departments.

Special Revenue Funds

Special Revenue Funds account for transactions relating to revenue received for a specified purpose (exclusive of capital projects). The revenue recorded in these funds is legally restricted and must be spent in accordance with required guidelines. Commonwealth grant revenue received under the Liquid Fuels program is recorded as a special revenue fund, as well as other restricted intergovernmental grant funds.

Debt Service Fund

The Debt Service Fund accounts for the accumulation of resources for the payment of principal and interest on most general long-term debt.

Capital Projects Fund

The Capital Projects Fund accounts for resources and activity relating to the acquisition of capital equipment.

Budgets and Budgetary Accounting

After several public hearings and work sessions, the Council adopts an annual budget during the last week in December for the year beginning January 1. Budgets are prepared for the General Fund, Liquid Fuels, Street Lighting and Fire Equipment Fund. With the approval of Council, budgetary transfers may be allowed. All budgets are prepared on a cash basis.

Compensated Absences

The financial statements do not include an accrual for compensated absences.

**BOROUGH OF ASHLEY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued:

Total Columns on Combined Statements

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data; and accordingly, the totals cannot be considered comparable to a consolidation.

NOTE 3. CASH AND INVESTMENTS:

Pennsylvania statutes provide for investment of governmental funds into certain authorized investment types including US Treasury bills, other short-term US and Pennsylvania government obligations and insured or collateralized time deposits and certificates of deposit. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of governmental funds for investment purposes.

In addition to the investments authorized for governmental funds, fiduciary fund investments may also be made in corporate stocks and bonds, real estate and other investments consistent with sound business practice.

The deposit investment policy of the Borough adheres to state statutes. Deposits of the governmental funds are either maintained in demand deposits, savings accounts, or certificates of deposit. All deposits of the Borough are either insured under FDIC or fully collateralized under Pennsylvania Act 72.

NOTE 4. PROPERTY TAXES:

The Municipality has the power to levy and collect ad valorem taxes on all taxable real estate within its boundaries. Real estate is assessed by the Chief Assessor's Office of the County of Luzerne. Property taxes attach an enforceable lien on property as of January 1. Taxes paid within 60 days are given a 2% discount. Amounts paid after 120 days are subject to a 10% penalty. Tax liens are filed on the related property for taxes not remitted within three years of the due date.

Tax levies are made annually and collected by the Borough. The tax levy for 2009 was 41 mills on every dollar of assessed value. The total estimated assessed value of taxable property was approximately \$3.1 million.

**BOROUGH OF ASHLEY, PENNSYLVANIA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2009**

NOTE 5. LONG-TERM DEBT:

A) Fire Equipment Fund

The Borough negotiated a general obligation note in the amount of \$ 109,107 from the Commonwealth of Pennsylvania on November 5, 1998. The proceeds from the note were used to purchase a 1999 Emergency One Rescue/Pumper. The Emergency Management Agency maintains a lien and security interest in the fire truck. The note is for a period of fifteen years at an interest rate of 2% per annum. The loan has been assumed by the Fire Department. The Borough will continue to contribute \$351 per month in payments. The loan is guaranteed. The principal maturities are as follows:

<u>Year</u>	<u>Principal</u>
2010	\$ 7,627
2011	7,882
2012	<u>7,639</u>
	<u>\$ 23,148</u>

B) 2008 General Obligation Note

The Borough negotiated a general obligation note in the amount of \$110,000 from PNC Bank on October 14, 2008. The proceeds from the note were used to purchase a 2009 Garbage Packer. The note matures December 10, 2013 and bears interest at a rate of 4.14% per annum. Monthly payments are \$2,045 including interest. The principal maturities are as follows:

<u>Year</u>	<u>Principal</u>
2010	\$ 21,163
2011	22,068
2012	23,007
2013	<u>23,997</u>
	<u>\$ 90,235</u>

NOTE 6. POLICE PENSION PLAN:

The Borough has a pension plan which covers full-time policemen in accordance with Act 205 of 1984, The Municipal Pension Funding Standards and Recovery Act. The plan is funded primarily through an annual allocation from the Commonwealth of the 2% tax imposed on foreign casualty insurance premiums and through contributions received from Ashley Borough.

**BOROUGH OF ASHLEY, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 6. POLICE PENSION PLAN - continued:

Additional information regarding the police pension plan at January 1, 2007, the most recent plan valuation date, is as follows:

Market value of net assets available for benefits	\$ 1,099,887
Actuarial accrued liability	<u>734,322</u>
Assets in excess of accrued liability	\$ <u>365,565</u>

Changes in net assets available for benefits:

Net assets, beginning of year	\$ 794,794
Contributions, employer	20
Investment income	47,666
Expenses	<u>(389)</u> 842,091
PMRS retirement account	<u>257,796</u>
Net assets available for benefits	\$ <u>1,099,887</u>

SUPPLEMENTARY FINANCIAL DATA

BOROUGH OF ASHLEY, PENNSYLVANIA
Combining Statement of Assets and Liabilities Arising from Cash Transactions
Special Revenue Funds
December 31, 2009

	<u>Liquid Fuels</u>	<u>Community Revitalization</u>	<u>Street Lighting</u>	<u>Fire Equipment</u>	<u>East Side Landfill Closing</u>	<u>Fire Insurance Escrow</u>	<u>Sewer Fund</u>	<u>WVSA Sewer Fund</u>	<u>Total</u>
ASSETS									
Cash	\$ <u>40,785</u>	\$ <u>(65)</u>	\$ <u>2,470</u>	\$ <u>4,794</u>	\$ <u>20</u>	\$ <u>2,641</u>	\$ <u>179</u>	\$ <u>24,214</u>	\$ <u>75,038</u>
Total assets	\$ <u>40,785</u>	\$ <u>(65)</u>	\$ <u>2,470</u>	\$ <u>4,794</u>	\$ <u>20</u>	\$ <u>2,641</u>	\$ <u>179</u>	\$ <u>24,214</u>	\$ <u>75,038</u>
LIABILITIES AND FUND BALANCE									
Fund balance	\$ <u>40,785</u>	\$ <u>(65)</u>	\$ <u>2,470</u>	\$ <u>4,794</u>	\$ <u>20</u>	\$ <u>2,641</u>	\$ <u>179</u>	\$ <u>24,214</u>	\$ <u>75,038</u>
Total liabilities and fund balance	\$ <u>40,785</u>	\$ <u>(65)</u>	\$ <u>2,470</u>	\$ <u>4,794</u>	\$ <u>20</u>	\$ <u>2,641</u>	\$ <u>179</u>	\$ <u>24,214</u>	\$ <u>75,038</u>

BOROUGH OF ASHLEY, PENNSYLVANIA
Combining Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balance -
Special Revenue Funds
Year Ended December 31, 2009

	<u>Liquid Fuels</u>	<u>Community Revitalization</u>	<u>Street Lighting</u>	<u>Fire Equipment</u>	<u>East Side Landfill Closing</u>	<u>Fire Insurance Escrow</u>	<u>Sewer Fund</u>	<u>WVSA Sewer Fund</u>	<u>Total</u>
Revenue collected:									
Grant revenues	\$ 53,908	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 53,908
Interest	59	-	7	7	-	4	1	39	117
Taxes	-	-	23,472	9,091	-	-	-	-	32,563
Sewer use fees	-	-	-	-	-	-	-	63,436	63,436
Miscellaneous	<u>6,051</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,051</u>
Total revenue collected	<u>60,018</u>	<u>-</u>	<u>23,479</u>	<u>9,098</u>	<u>-</u>	<u>4</u>	<u>1</u>	<u>63,475</u>	<u>156,075</u>
Expenditures paid:									
Current:									
Public works	10,314	-	29,593	-	-	-	160	12,021	52,088
Insurance proceeds expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures paid	<u>10,314</u>	<u>-</u>	<u>29,593</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>160</u>	<u>12,021</u>	<u>52,088</u>
Excess (deficiency) of revenue collected over expenditures paid	<u>49,704</u>	<u>-</u>	<u>(6,114)</u>	<u>9,098</u>	<u>-</u>	<u>4</u>	<u>(159)</u>	<u>51,454</u>	<u>103,987</u>
Other financing sources (uses):									
Operating transfers in	-	-	8,298	300	-	-	160	-	8,758
Operating transfers out	<u>(10,836)</u>	<u>-</u>	<u>-</u>	<u>(4,749)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(40,000)</u>	<u>(55,585)</u>
Total other financing sources (uses)	<u>(10,836)</u>	<u>-</u>	<u>8,298</u>	<u>(4,449)</u>	<u>-</u>	<u>-</u>	<u>160</u>	<u>(40,000)</u>	<u>(46,827)</u>
Excess (deficiency) of revenue collected over expenditures paid and other sources (uses)	<u>38,868</u>	<u>-</u>	<u>2,184</u>	<u>4,649</u>	<u>-</u>	<u>4</u>	<u>1</u>	<u>11,454</u>	<u>57,160</u>
Fund balance - beginning	<u>1,917</u>	<u>(65)</u>	<u>286</u>	<u>145</u>	<u>20</u>	<u>2,637</u>	<u>178</u>	<u>12,760</u>	<u>17,878</u>
Fund balance - ending	<u>\$ 40,785</u>	<u>\$ (65)</u>	<u>\$ 2,470</u>	<u>\$ 4,794</u>	<u>\$ 20</u>	<u>\$ 2,641</u>	<u>\$ 179</u>	<u>\$ 24,214</u>	<u>\$ 75,038</u>