

BOROUGH OF DENVER

Financial Statements

December 31, 2013

WEINHOLD, NICKEL & COMPANY, LLP
Certified Public Accountants
Reamstown, PA 17567

BOROUGH OF DENVER
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INDEPENDENT AUDITORS' REPORT

To the Members of Borough Council
Borough of Denver
Denver, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Denver, Pennsylvania as of and for the year ended December 31, 2013, which collectively comprise the Borough's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting. This includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Basis for Qualified Opinion

The Borough's investments in its fiduciary fund financial statements are reported at fair value. Accounting principles applicable to the Borough's modified cash basis of accounting require investments to be reported at historical cost. The amount by which this departure would affect investments, financial position and changes in financial position of the aggregate remaining fund information is not reasonably determinable.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the modified cash basis financial position of the aggregate remaining fund information for Borough of Denver, as of December 31, 2013, and the changes in modified cash financial position thereof for the year then ended in conformity with the basis of accounting as described in the notes to the financial statements.

Unqualified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – modified cash basis of the governmental activities, the business-type activities, and each major fund of the Borough of Denver, Pennsylvania, as of December 31, 2013, and the respective changes in modified cash basis financial position and, when applicable, cash flows thereof for the year then ended in conformity with the basis of accounting described in the notes to the financial statements.

Report on Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole that collectively comprise the Borough of Denver's basic financial statements. The budgetary comparison information and combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Basis of Accounting

We draw attention to the notes to the financial statements that describe the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Wainhold, Michel & Company, LLP
April 1, 2014

Reamstown, Pennsylvania

BOROUGH OF DENVER
Statement of Net Position - Modified Cash Basis
December 31, 2013

ASSETS

	Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Total</u>
Current Assets:			
Cash and Cash Equivalents	\$ 880,653	\$ 680,841	\$ 1,561,494
Loan Advances to Third Parties	570	0	570
	881,223	680,841	1,562,064
Total Current Assets			
Noncurrent Assets:			
Investments	1,221	0	1,221
	1,221	0	1,221
Total Noncurrent Assets			
TOTAL ASSETS	\$ 882,444	\$ 680,841	\$ 1,563,285

See Notes to Financial Statements.

LIABILITIES

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Current Liabilities:			
Escrow Deposits	\$ 814	\$ 0	\$ 814
Payroll Deductions and Withholdings	4,570	0	4,570
	<hr/>	<hr/>	<hr/>
Total Current Liabilities	5,384	0	5,384
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES	5,384	0	5,384
NET POSITION			
Restricted for:			
Public Works - Highways and Streets	16,093	0	16,093
Culture and Recreation	32,003	0	32,003
Unrestricted	828,964	680,841	1,509,805
	<hr/>	<hr/>	<hr/>
TOTAL NET POSITION	877,060	680,841	1,557,901
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 882,444</u>	<u>\$ 680,841</u>	<u>\$ 1,563,285</u>

BOROUGH OF DENVER
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2013

Functions/Programs	Expenses
Governmental activities:	
General Government	\$ 211,119
Public Safety	642,472
Health and Human Services	1,100
Public Works - Highways and Streets	272,898
Culture and Recreation	125,045
Community and Economic Development	34,805
Miscellaneous	22,856
	1,310,295
 Total Governmental Activities	
Business-type activities:	
Water Service	379,201
Sewer Service	721,587
	1,100,788
 Total Business-type Activities	
	\$ 2,411,083

General revenues:

Taxes:

Property Taxes, Levied for General Purposes, Net
Other Taxes Levied for General Purposes, Net

Investment Earnings
Miscellaneous Income
Transfers

**Total General Revenues, Special Items,
Extraordinary Items and Transfers**

Change in Net Position

Net Position—January 1, 2013

Net Position—December 31, 2013

See Notes to Financial Statements.

Program Revenues			Net (Expense) Revenue and Changes in Net Position		
Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
\$ 6,614	\$ 0	\$ 0	\$ (204,505)	\$ 0	\$ (204,505)
48,271	26,753	0	(567,448)	0	(567,448)
0	0	0	(1,100)	0	(1,100)
4,883	76,952	0	(191,063)	0	(191,063)
86,665	0	0	(38,380)	0	(38,380)
5,510	0	0	(29,295)		(29,295)
0	22,244	0	(612)	0	(612)
151,943	125,949	0	(1,032,403)	0	(1,032,403)
358,972	0	0	0	(20,229)	(20,229)
706,316	0	0	0	(15,271)	(15,271)
1,065,288	0	0	0	(35,500)	(35,500)
<u>\$ 1,217,231</u>	<u>\$ 125,949</u>	<u>\$ 0</u>	<u>\$ (1,032,403)</u>	<u>\$ (35,500)</u>	<u>\$ (1,067,903)</u>
			559,184	0	559,184
			539,643	0	539,643
			1,661	1,251	2,912
			12,225	1,006	13,231
			7,050	(7,050)	0
			<u>1,119,763</u>	<u>(4,793)</u>	<u>1,114,970</u>
			87,360	(40,293)	47,067
			<u>789,700</u>	<u>721,134</u>	<u>1,510,834</u>
			<u>\$ 877,060</u>	<u>\$ 680,841</u>	<u>\$ 1,557,901</u>

BOROUGH OF DENVER
Balance Sheet - Modified Cash Basis
Governmental Funds
December 31, 2013

	General Fund
ASSETS	
Cash and Cash Equivalents	\$ 748,028
Investments	1,221
Loan Advances to Third Parties	<u>570</u>
TOTAL ASSETS	<u>\$ 749,819</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Payroll Deductions and Withholdings	\$ 4,570
Escrow Deposits	<u>814</u>
TOTAL LIABILITIES	5,384
FUND BALANCE	
Restricted	0
Assigned	30,871
Unassigned	<u>713,564</u>
TOTAL FUND BALANCE	<u>\$ 744,435</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 749,819</u>

See Notes to Financial Statements.

Capital Reserve Fund	Non Major Funds	Total Governmental Funds
\$ 116,394	\$ 16,231	\$ 880,653
0	0	1,221
0	0	570
<hr/>	<hr/>	<hr/>
<u>\$ 116,394</u>	<u>\$ 16,231</u>	<u>\$ 882,444</u>
\$ 0	\$ 0	\$ 4,570
0	0	814
<hr/>	<hr/>	<hr/>
0	0	5,384
32,003	16,093	48,096
84,391	138	115,400
0	0	713,564
<hr/>	<hr/>	<hr/>
116,394	\$ 16,231	\$ 877,060
<hr/>	<hr/>	<hr/>
<u>\$ 116,394</u>	<u>\$ 16,231</u>	<u>\$ 882,444</u>

BOROUGH OF DENVER
Statement of Revenues, Expenditures and Changes in Fund Balance - Modified Cash Basis
Governmental Funds
For the Year Ended December 31, 2013

	General Fund
REVENUES	
Taxes	\$ 1,098,827
Licenses and Permits	48,452
Fines and Forfeits	11,437
Interest, Rents and Royalties	7,125
Intergovernmental Revenues	51,414
Charges for Service	86,544
	1,303,799
TOTAL REVENUES	
EXPENDITURES	
General Government	208,365
Public Safety	641,972
Health and Human Services	1,100
Public Works - Highways and Streets	200,215
Culture and Recreation	119,945
Community Development	34,805
Miscellaneous Expenditures	22,856
	1,229,258
TOTAL EXPENDITURES	
Excess (Deficiency) of	
Revenues Over Expenditures	\$ 74,541

See Notes to Financial Statements.

Capital Reserve <u>Fund</u>	Non-Major <u>Funds</u>	Total Governmental <u>Funds</u>
\$ 0	\$ 0	\$ 1,098,827
0	0	48,452
0	0	11,437
37	9	7,171
0	74,535	125,949
0	0	86,544
<hr/>	<hr/>	<hr/>
37	74,544	1,378,380
2,754	0	211,119
500	0	642,472
0	0	1,100
0	72,683	272,898
5,100	0	125,045
0	0	34,805
0	0	22,856
<hr/>	<hr/>	<hr/>
8,354	72,683	1,310,295
<hr/>	<hr/>	<hr/>
\$ (8,317)	\$ 1,861	\$ 68,085

BOROUGH OF DENVER
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds - Continued
For the Year Ended December 31, 2013

	General Fund
OTHER FINANCING SOURCES (USES)	
Contributions/Donations	\$ 20
Refunds of Prior Years Expenditures	12,185
Operating Transfers In	12,191
Operating Transfers Out	<u>(15,785)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>8,611</u>
Net Change in Fund Balance	83,152
Fund Balance - January 1, 2013	<u>661,283</u>
Fund Balance - December 31, 2013	<u><u>\$ 744,435</u></u>

See Notes to Financial Statements.

Capital Reserve Fund	Non Major Funds	Total Governmental Funds
20	\$ 0	\$ 40
0	0	12,185
15,785	0	27,976
(5,141)	0	(20,926)
<hr/> 10,664	<hr/> 0	<hr/> 19,275
2,347	1,861	87,360
<hr/> 114,047	<hr/> 14,370	<hr/> 789,700
<hr/> <u>\$ 116,394</u>	<hr/> <u>\$ 16,231</u>	<hr/> <u>\$ 877,060</u>

BOROUGH OF DENVER
Statement of Net Position - Modified Cash Basis
Proprietary Funds
December 31, 2013

ASSETS

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Current Assets:			
Cash and Cash Equivalents	\$ 292,358	\$ 388,483	\$ 680,841
Total Current Assets	<u>292,358</u>	<u>388,483</u>	<u>680,841</u>
TOTAL ASSETS	<u><u>\$ 292,358</u></u>	<u><u>\$ 388,483</u></u>	<u><u>\$ 680,841</u></u>

NET POSITION

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
NET POSITION Unrestricted	<u>292,358</u>	<u>388,483</u>	<u>680,841</u>
TOTAL NET POSITION	<u>\$ 292,358</u>	<u>\$ 388,483</u>	<u>\$ 680,841</u>

BOROUGH OF DENVER
Statement of Revenues, Expenditures and Changes in Net Position - Modified Cash Basis
Proprietary Funds
For the Year Ended December 31, 2013

	<u>Water</u> <u>Fund</u>	<u>Sewer</u> <u>Fund</u>	<u>Total</u>
OPERATING REVENUES:			
Charges for Services	\$ 358,972	\$ 706,316	\$ 1,065,288
TOTAL OPERATING REVENUES	358,972	706,316	1,065,288
OPERATING EXPENSES:			
Salaries	161,132	161,053	322,185
Employee Benefits	43,606	43,690	87,296
Purchased Professional and Technical Service	14,892	10,047	24,939
Purchased Property Service	47,139	211,578	258,717
Purchased Treatment Service	0	185,185	185,185
Purchased Outside Utility Service	46,797	19,216	66,013
Other Purchased Service and Supplies	32,526	6,336	38,862
Other Operating Expenditures	2,294	2,031	4,325
TOTAL OPERATING EXPENSES	348,386	639,136	987,522
OPERATING INCOME (LOSS)	10,586	67,180	77,766
NONOPERATING REVENUES (EXPENSES):			
Earnings on Investments	471	780	1,251
Refund of Prior Years Expenditures	503	503	1,006
Capital Outlays	(30,815)	(82,451)	(113,266)
TOTAL NONOPERATING REVENUE (EXPENSES)	(29,841)	(81,168)	(111,009)
INCOME (LOSS) BEFORE CONTRIBUTIONS	(19,255)	(13,988)	(33,243)
Transfers In (Out)	(3,201)	(3,849)	(7,050)
CHANGE IN NET POSITION	(22,456)	(17,837)	(40,293)
TOTAL NET POSITION-JANUARY 1, 2013	314,814	406,320	721,134
TOTAL NET POSITION-DECEMBER 31, 2013	<u>\$ 292,358</u>	<u>\$ 388,483</u>	<u>\$ 680,841</u>

See Notes to Financial Statements.

BOROUGH OF DENVER
Statement of Cash Flows - Modified Cash Basis
Proprietary Funds
For the Year Ended December 31, 2013

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Cash Flows From Operating Activities			
Receipts from Users	\$ 358,972	\$ 706,316	\$ 1,065,288
Payments for Advances to Other Funds	(509)	(509)	(1,018)
Payments for Released Escrow Deposits	0	(1,731)	(1,731)
Payments to Employees for Services	(204,738)	(204,743)	(409,481)
Payments to Suppliers for Goods and Services	(141,354)	(432,362)	(573,716)
Payments for Other Operating Expenses	(2,294)	(2,031)	(4,325)
Net Cash Provided by (Used for) Operating Activities	10,077	64,940	75,017
Cash Flows From Non-Capital Financing Activities			
Operating Transfers In (Out)	(3,201)	(3,849)	(7,050)
Net Cash Provided by (Used for) Non-Capital Financing Activities	(3,201)	(3,849)	(7,050)
Cash Flows From Capital and Related Financing Activities			
Facilities Acquisition, Construction, and Improvement Services	(30,815)	(82,451)	(113,266)
Change in Refunds of Prior Year Expenses	503	503	1,006
Net Cash Provided by (Used for) Capital and Related Financing Activities	(30,312)	(81,948)	(112,260)
Cash Flows From Investing Activities			
Earnings on Investments	471	780	1,251
Net Cash Provided by (Used for) Investing Activities	471	780	1,251
Net Increase (Decrease) in Cash and Cash Equivalents	(22,965)	(20,077)	(43,042)
Cash and Cash Equivalents-January 1, 2013	315,323	408,560	723,883
Cash and Cash Equivalents-December 31, 2013	<u>\$ 292,358</u>	<u>\$ 388,483</u>	<u>\$ 680,841</u>

See Notes to Financial Statements.

BOROUGH OF DENVER
Statement of Cash Flows - Modified Cash Basis
Proprietary Funds - Continued
For the Year Ended December 31, 2013

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<u>Reconciliation of Operating Income to Net Cash Flows</u>			
<u>from Operating Activities</u>			
Operating Income (Loss)	\$ 10,586	\$ 67,180	\$ 77,766
Adjustments to Reconcile Operating Income (Loss) to			
Net Cash Provided by (Used for) Operating Activities:			
Increase (Decrease) in Advances from Other Funds	(509)	(509)	(1,018)
Increase (Decrease) in Escrow Deposits	<u>0</u>	<u>(1,731)</u>	<u>(1,731)</u>
Total Adjustments	<u>(509)</u>	<u>(2,240)</u>	<u>(2,749)</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ 10,077</u>	<u>\$ 64,940</u>	<u>\$ 75,017</u>

BOROUGH OF DENVER
Statement of Fiduciary Net Position - Modified Cash Basis
Fiduciary Fund
For the Year Ended December 31, 2013

	Municipal Employee <u>Pension</u>
ASSETS	
Cash and Cash Equivalents	\$ 164
Investments	<u>342,872</u>
TOTAL ASSETS	<u><u>\$ 343,036</u></u>
NET POSITION	
Restricted for Pension Benefits	<u>\$ 343,036</u>
TOTAL NET POSITION	<u><u>\$ 343,036</u></u>

See Notes to Financial Statements.

BOROUGH OF DENVER
Statement of Changes in Fiduciary Net Position - Modified Cash Basis
Fiduciary Fund
For the Year Ended December 31, 2013

	Municipal Employee Pension
ADDITIONS	
Contributions:	
Employer	\$ 1,726
State	22,244
Total Contributions	23,970
 Investment Income (Loss):	
Interest, Dividends, and Net Increase (Decrease) in Fair Value of Investments	54,944
Total Net Investment Income (Loss)	54,944
Total Additions	78,914
 DEDUCTIONS	
Administrative Expense	1,870
Total Deductions	1,870
Change in Net Position	77,044
 Net Position Held in Trust for Pension Benefits	
Net Position - January 1, 2013	265,992
Net Position - December 31, 2013	\$ 343,036

See Notes to Financial Statements.

BOROUGH OF DENVER
Notes to Financial Statements
December 31, 2013

Summary of Significant Accounting Policies

As discussed further under MEASUREMENT FOCUS AND BASIS OF ACCOUNTING, these financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) established by the Governmental Accounting Standards Board (GASB). These modified cash basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP, in substance, but are limited to elements presented in the financial statements and the constraints of the measurement and recognition criteria of the modified cash basis of accounting.

A. DEFINITION OF THE REPORTING ENTITY

The Borough of Denver, Pennsylvania ("Borough") was incorporated on September 4, 1900. Located in northern Lancaster County, Pennsylvania, the Borough is governed by a Borough Council consisting of seven duly elected members. The Borough also has an elected Mayor. The daily operation and management of the Borough is carried out by an administrative staff.

The Borough's financial reporting entity is composed of the following:

Primary Government:	Borough of Denver
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In determining the financial reporting entity, the borough complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

BLENDED COMPONENT UNIT

A blended component unit is a separate legal entity that meets the component unit criteria. In addition, the blended component unit's governing body is the same or substantially the same as the Borough Council, or the component unit provides services entirely to the Borough. The component unit's funds are blended into those of the Borough by appropriate fund type to constitute the primary government presentation. At December 31, 2013, there were no blended component units to be presented.

BOROUGH OF DENVER
Notes to Financial Statements - Continued
December 31, 2013

Summary of Significant Accounting Policies (cont'd)

DISCRETELY PRESENTED COMPONENT UNIT

Discretely presented component units are separate legal entities that meet the component unit criteria but do not meet the criteria for blending.

In evaluating how to define the Borough, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the Borough and/or its citizens, or whether the activity is conducted within the geographical boundaries. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Borough is able to exercise oversight responsibilities. Based upon the application of these criteria, no component units were identified that should be a part of the Borough's reporting entity.

B. BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENT

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole within the reporting limitations of the modified cash basis of accounting. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

BOROUGH OF DENVER
Notes to Financial Statements - Continued
December 31, 2013

Summary of Significant Accounting Policies (cont'd)

FUND FINANCIAL STATEMENTS

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, deferred outflows, liabilities, deferred inflows, net position or fund balance, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. The Borough presently has one fiduciary fund. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Borough or meets the following criteria:

- a. Total assets, deferred outflows, liabilities, deferred inflows, revenue or expenditures/expenses of that individual governmental or enterprise fund are at least ten percent of the corresponding total for all funds of that category or type, and
- b. Total assets, liabilities, deferred inflows, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least five percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the Borough and always classified as a major fund. It is used to account for and report all financial resources not accounted for and reported in another fund.

Special Revenue Funds

Special Revenue Funds are used to account for and report the proceeds of the specific revenue sources that are either restricted or committed to expenditures for specified purposes other than debt service or capital projects of the Borough. The reporting entity includes the following special revenue fund that is reported as a non-major fund:

<u>Fund</u>	<u>Brief Description</u>
Liquid Fuel Fund	Accounts for liquid fuels tax revenue from the Commonwealth of Pennsylvania

BOROUGH OF DENVER
Notes to Financial Statements - Continued
December 31, 2013

Summary of Significant Accounting Policies (cont'd)

Capital Projects Funds

Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The reporting entity includes the following capital projects fund that is reported as a major fund:

<u>Fund</u>	<u>Brief Description</u>
Capital Reserve Fund	Accounts for monies set aside by various other funds to acquire major equipment/construction items as necessary.

Debt Service Fund

The Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The reporting entity reports this fund as a non-major fund.

PROPRIETARY FUNDS

Enterprise Funds

Enterprise funds are used to account for and report business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the following enterprise funds that are reported as major funds:

Water Fund	Accounts for the activities of the Borough's water system.
Sewer Fund	Accounts for the activities of the Borough's sewer system.

BOROUGH OF DENVER
Notes to Financial Statements - Continued
December 31, 2013

Summary of Significant Accounting Policies (cont'd)

FIDUCIARY FUNDS

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Borough programs. The reporting focus is on net position and changes in net position and are reported using accounting principles similar to proprietary funds.

The Borough's fiduciary funds are presented in the fiduciary fund financial statements by type (pension, private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

The reporting entity includes the following fiduciary fund:

Municipal Employee Pension Fund	Accounts for assets held in trust for non-uniformed employees pension benefits.
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C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe what transactions or events are recorded within the various financial statements. Basis of accounting refers to when and how transactions or events are recorded regardless of the measurement focus applied.

MEASUREMENT FOCUS

In the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as defined in item b below.

In the fund financial statements, the current financial resources measurement focus or the economic resources measurement focus, as applied to the modified cash basis of accounting is used as appropriate:

- a. All governmental funds utilize a current financial resources measurement focus within the limitations of the modified cash basis of accounting. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

BOROUGH OF DENVER
Notes to Financial Statements - Continued
December 31, 2013

Summary of Significant Accounting Policies (cont'd)

MEASUREMENT FOCUS (cont'd)

- b. The proprietary fund utilizes an economic resources measurement focus within the limitations of the modified cash basis of accounting. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), net financial position, and cash flows. All assets, deferred outflows, liabilities, and deferred inflows (whether current or noncurrent, financial, or nonfinancial) associated with their activities are reported within the limitations of the modified cash basis of accounting.

BASIS OF ACCOUNTING

The financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than GAAP as established by GASB. This basis of accounting involves modifications to the cash basis of accounting to report in the statement of net position cash transactions or events that provide a benefit or result in an obligation that covers a period greater than the period in which the cash transaction or event occurred. Such reported balances include investments, loans advances to third parties, inter-fund receivables and payables, and escrow deposit liabilities.

This modified cash basis of accounting differs from GAAP primarily because economic assets, deferred outflows, liabilities, and deferred inflows that do not arise from a cash transaction or event are not reported, and the measurement of reported assets and liabilities does not involve adjustment to fair value.

If the Borough utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

D. FINANCIAL POSITION

CASH AND CASH EQUIVALENTS

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less.

INVESTMENTS

Investments classified in the financial statements consist of certificates of deposit whose original maturity term exceeds three months and insurance contracts held for pension benefits. Certificates of Deposit are carried at cost, which approximates fair value. Insurance contracts are carried at contract value, which approximates fair value.

BOROUGH OF DENVER
Notes to Financial Statements - Continued
December 31, 2013

Summary of Significant Accounting Policies (cont'd)

LOAN ADVANCES TO THIRD PARTIES

The Borough's modified cash basis of accounting reports loan advances to third parties resulting from cash transactions as assets classified according to terms of repayment. Upon repayment, these assets are removed.

CAPITAL ASSETS

The Borough's modified cash basis of accounting reports capital outlays resulting from cash transactions as expended at the time payment is made, and does not capitalize the cost of capital assets. Accordingly, no depreciation has been reflected in the financial statements.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

In the government-wide and fund financial statements, capital assets arising from cash transactions acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets acquired for use in proprietary fund operations are accounted for the same as governmental funds.

LONG -TERM DEBT

Long-term debt arising from cash basis transactions of governmental funds is not reported as a liability in the government-wide and fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same as the treatment of the governmental funds.

COMPENSATED ABSENCES

The Borough has adopted policies and contracts, which require the payment of a portion of unused sick leave and vacation to eligible employees. These obligations are not recorded on the financial statements, but approximate \$77,815 at December 31, 2013. Payment of these liabilities have been previously paid out of General Fund as well as the Water and Sewer enterprise funds.

NET POSITION/FUND BALANCE

Government-Wide Statements

Net Position is classified and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvements of those assets and adjusted for any deferred inflows and outflows of resources attributable to capital assets and related debt.

BOROUGH OF DENVER
Notes to Financial Statements - Continued
December 31, 2013

Summary of Significant Accounting Policies (cont'd)

- b. Restricted – Consists of restricted assets reduced by liabilities and deferred inflows or resources related to those assets with restriction constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted – Net amount of assets, deferred outflows of resources, liabilities, and deferred inflows and resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

It is the Borough's policy to first use restricted net position prior to the use of unrestricted net resources when an expense is incurred for purposes for which both restricted and unrestricted net resources are available.

Fund Financial Statements

Governmental Funds

The difference among assets, deferred outflows, liabilities, and deferred inflows of governmental funds is reported as fund balance and classified as nonspendable, restricted, committed, assigned, and unassigned based on the respective level of constraint. These constraints are defined as follows:

- a. Non-spendable – Amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.
- b. Restricted – Amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
- c. Committed – Amounts that can be used only for specific purposes determined by a formal action of Borough Council. Borough Council is the highest level of decision making authority for the Borough. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by Borough Council.
- d. Assigned – Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the Borough's adopted policy, only Borough Council, the Borough Manager or his designee may assign amounts for specific purposes.
- e. Unassigned – All other spendable amounts.

BOROUGH OF DENVER
Notes to Financial Statements - Continued
December 31, 2013

Summary of Significant Accounting Policies (cont'd)

Fund Financial Statements (cont'd)

Governmental Funds

It is the Borough's policy to first use restricted fund balances prior to the use of unrestricted fund balances when an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available. It is also Borough policy to use committed fund balances before assigned fund balances and assigned fund balances before unassigned amounts when an expenditure is incurred for purposes for which amounts in those classifications are available to be used.

Proprietary Funds

Proprietary fund equity is classified the same as in the government-wide statements.

E. REVENUES, EXPENDITURES, AND EXPENSES

PROGRAM REVENUES

In the Statement of Activities, modified cash basis revenues that are derived directly from each activity or from parties outside the Borough's taxpayers are reported as program revenues. The Borough has the following program revenues in each activity.

General Government	Zoning Permit Fees; Reimbursement for Engineering and Legal Fees; Hearing Fees
Public Safety	Licenses and Fines; PA Foreign Fire Insurance Premium Taxes; Building and Rental Permits; Special Police Services
Public Works – Highways and Streets	PA Liquid Fuels Tax; PA Contracted Reimbursement – Snow Removal; Municipal Recycling Grant
Culture and Recreation	Pool Memberships and Fees; Cable Television Franchise Fees
Community and Economic Development	Rental Income from Real Estate
Water Service	Water User Charges and Penalties
Sewer Service	Sewer User Charges and Penalties

All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

OPERATING REVENUE AND EXPENSES

Operating revenues and expenses for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all revenues and expenses not related to capital and related financing, non-capital financing, or investing activities.

BOROUGH OF DENVER
Notes to Financial Statements - Continued
December 31, 2013

Summary of Significant Accounting Policies (cont'd)

F. INTERFUND BALANCES AND ACTIVITIES

In the process of aggregating the financial information for the government-wide Statement of Net Position and Statement of Activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

FUND FINANCIAL STATEMENTS

Interfund activity, if any, within and among the governmental and proprietary fund categories is reported as follows in the fund financial statements:

1. Interfund loans – Amounts provided with a requirement for repayment are reported as interfund receivables and payables.
2. Interfund transfers – Flow of assets from one fund to another where repayment is not expected are reported as transfers in and out.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

1. Internal balances – Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental and business-type activities columns of the Statement of Net Position, except for the net residual amounts due between governmental and business-type activities, which are reported as Internal Balances.
2. Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities.

BOROUGH OF DENVER
Notes to Financial Statements - Continued
December 31, 2013

Summary of Significant Accounting Policies (cont'd)

GOVERNMENT-WIDE FINANCIAL STATEMENTS (cont'd)

Accounting Estimates

The preparation of financial statements in conformity with professional standards requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

Real Estate Taxes

Based upon assessed valuations provided by the County, the tax collector for the Borough bills and collects the real estate taxes levied by the Borough. The schedule for real estate taxes levied for 2013 is as follows:

March 1, 2013	Levy Date
March 1 - April 30, 2013	2% Discount Period
May 1 - June 30, 2013	Face Payment Period
July 1 - December 31, 2013	10% Penalty Period
January 1, 2014	Lien Date

The municipal tax rate for 2013 was 3.00 mills (\$3.00 per \$1,000 assessed valuation).

Other Taxes

For 2013, the Borough levied the following additional taxes:

Real Estate Transfer	0.5%
Earned Income Tax	0.5%
Local Services Tax	\$52/per worker

BOROUGH OF DENVER
Notes to Financial Statements - Continued
December 31, 2013

Cash and Investments

In accordance with Pennsylvania Borough Code, the Borough is authorized to designate one or more banks or bank and trust companies as a depository or depositories for its funds. If these funds are fully insured by the FDIC, the Borough shall not require any additional bond, insurance or security to cover the amounts of deposits so insured. If these funds are not fully insured by the FDIC, the funds shall be continuously secured by a pledge of direct obligations of the United States of America or of the Commonwealth, having an aggregate market value, exclusive of accrued interest, at all times at least equal to the balance on deposit.

The Borough's fiduciary plan administrator is authorized to invest in legal investments permitted under the Pennsylvania Fiduciaries Investment Act.

Cash and Cash Equivalents

Cash and cash equivalents include unrestricted and restricted cash and investments with an original maturity of three months or less, and consist of the following:

Petty Cash	\$	1,000
Cash on Deposit		1,232,499
PLGIT		<u>328,159</u>
	\$	<u><u>1,561,658</u></u>

Reconciliation to Government-Wide Statement of Net Position – Modified Cash Basis

Cash and Cash Equivalents	\$	1,561,658
Less: Fiduciary Fund Cash Equivalents not included in government-wide statement of net position - modified cash basis		<u>164</u>
	\$	<u><u>1,561,494</u></u>

BOROUGH OF DENVER
Notes to Financial Statements - Continued
December 31, 2013

Cash and Investments (cont'd)

Cash and Cash Equivalents

Cash and investments as of December 31, 2013 are classified in the accompanying financial statements as follows.

Statement of Net Position:	
Cash and Cash Equivalents	\$ 1,561,494
Investments	1,221
Statement of Fiduciary Net Position	
Cash and Cash Equivalents	164
Investments	<u>342,872</u>
<u>Total Cash and Investments</u>	<u>\$ 1,905,751</u>

Cash and investments as of December 31, 2013 consist of the following:

Cash on Hand		\$ 1,000
Deposits with Financial Institutions		1,233,720
Investments:		
<u>PLGIT</u>		
State Investment Pools		328,159
<u>Principal Life Insurance Company</u>		
Bond Mutual Funds	\$ 49,191	
Money Market Funds	21,348	
Guaranteed Interest Contracts	48,693	
Equity Mutual Funds	221,657	
Stock	<u>1,983</u>	<u>342,872</u>
<u>Total Cash and Investments</u>		<u>\$ 1,905,751</u>

Investments in the Pennsylvania Local Government Investment Trust (PLGIT) are held in the name of the respective funds. All investments are recorded at cost, which approximates market value.

Pension funds include investments with Principal Life Insurance Company in unallocated insurance contracts and unallocated separate accounts. Contracts are valued at contract value, which represents contributions made under the contract, plus interest, less funds used to purchase annuities and pay administrative expenses. Unallocated separate accounts are valued at fair value. Market value has been determined by Principal Life Insurance Company.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the holder of the investment.

BOROUGH OF DENVER
Notes to Financial Statements - Continued
December 31, 2013

Cash and Investments (cont'd)

Credit Risk (cont'd)

The State Code requires the Borough to invest funds consistent with “sound business practice”: investments are made with discretion and intelligence, to seek reasonable income, preserve capital and, in general, avoid speculative investments. The Borough has no investment policy that would further limit its investment choices. Following are the credit ratings as of the year end for each investment type:

<u>Investment Type</u>	<u>Amount</u>	<u>Ratings as of Year End</u>		
		<u>Exempt from Disclosure</u>	<u>AAA</u>	<u>A</u>
State Investment Pools	\$ 328,159		328,159	
Bond Mutual Funds	49,191		49,191	
Money Market Funds	21,348			21,348
Guaranteed Interest Contracts	48,693			48,693
Equity Mutual Funds	221,657	221,657		
Stock	1,983	1,983		
	<u>\$ 671,031</u>	<u>\$ 223,640</u>	<u>\$ 377,350</u>	<u>\$ 70,041</u>

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, a government will not be able to recover deposits from an outside party. For investments, it is the risk that in the event of failure of the counterparty to a transaction, a government will not be able to recover the value of the investment or collateral securities that are in possession of an outside party. The Borough has no investment policy that would further limit the exposure to custodial credit for deposits or investments than that required by the State Code.

As of December 31, 2013, the Borough had deposits with financial institutions in the amount of \$1,116,171 that exceeded federal depository insurance limits. When amounts exceed federal depository insurance limits, these deposits are collateralized with securities held by the pledging financial institution or the pledging financial institution’s trust department or agent but not in the government’s name.

Investments with Principal Life Insurance Company as noted above are securities uninsured and unregistered and held by the counter party, or held by the counterparty’s trust department or by its agent but not held in the government’s name (this includes the portion of the carrying amount of any repurchase agreement that exceeds the market value of the underlying securities).

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair market value of an investment. The Borough does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

BOROUGH OF DENVER
Notes to Financial Statements - Continued
December 31, 2013

Cash and Investments (cont'd)

Interest Rate Risk (cont'd)

As of December 31, 2013, the Borough has the following investments subject to interest rate risk:

<u>Investment Type</u>	<u>Amount</u>	<u>Weighted Average Maturity</u>
State Investment Pools	\$ 328,159	Less than 60 days
Bond Mutual Funds	49,191	7.83 years
Money Market Funds	<u>21,348</u>	51 days
	<u>\$ 398,698</u>	

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investments in a single issuer. The Borough does not have a formal investment policy regarding concentration of credit risk but utilizes "sound business practice" in choosing investments mandated by the State Code.

At December 31, 2013, investments in any one issuer (other than US Treasury securities, mutual funds, and external investment pools) that represent five percent or more of Fiduciary investments are as follows:

Principal Life Insurance Company \$342,872

Loan Advances to Third Parties

The costs paid to date by the Borough were \$192,987. Repayments of \$350 were made by the property owners during 2013. The balance due to the Borough at December 31, 2013 remains at \$570. The Borough has filed liens against the property owners for the remaining balances due.

Lease Rentals

Sewer System

On November 1, 1995, the Borough entered into a Sewage Service Agreement with the Borough of Ephrata and neighboring communities, whereby the Borough of Ephrata will provide sewage treatment services to neighboring communities. Effective January 1, 1997, cost of operation and total annual capital costs will be shared by each party on the basis of their proportionate share of sewage flow to the total flow of sewage. This agreement shall remain in effect until terminated by consent of all parties hereto. Effective January 1, 1997, the Borough was relieved of all future obligations under prior agreements for previously held reserve capacity. There are no minimum rentals established in the agreement.

BOROUGH OF DENVER
Notes to Financial Statements - Continued
December 31, 2013

Lease Rentals (cont'd)

Sewer System (cont'd)

All facilities will be owned by the Ephrata Borough Authority.

During the year ended December 31, 2013 the Borough paid the following amounts to Ephrata under the terms of the Sewage Service Agreement:

Sewage Treatment System	\$	181,318
Lease Rental Payments		185,185

Intermunicipal Property Agreement

On December 31, 2010, the Borough executed an intermunicipal agreement with respect to East Cocalico Township's General Obligation Bond – Series of 2010 issued by East Cocalico Township for refinancing the General Obligation Note – Series of 2006 and changing interest earned on the previous obligation from a tax-free to taxable status. The Borough has guaranteed the payment of 16% of the total principal and interest on the East Cocalico Township General Obligation Bond – Series of 2010, with an aggregate principal of \$3,429,370, of which \$548,699 is guaranteed by the Borough. The debt service on the note ranges from \$39,206 to \$54,295 per year. By executing the intermunicipal agreement, the Borough has incurred lease rental debt. Lease rental payments made under the General Obligation Note were \$46,805 for 2013.

Annual lease payments payable during the next five years are as follows:

<u>Calendar Year</u>	<u>On or Before January 15,</u>	<u>On or Before July 15,</u>	<u>Total</u>
2014	\$ 10,815	\$ 36,270	\$ 47,085
2015	10,242	37,225	47,467
2016	9,635	38,237	47,872
2017	8,991	39,309	48,300
2018	8,309	40,446	48,755
	<u>\$ 47,992</u>	<u>\$ 191,487</u>	<u>\$ 239,479</u>

BOROUGH OF DENVER
Notes to Financial Statements - Continued
December 31, 2013

Lease Rentals

Regional Recreation Center

Lease rentals payable subsequent to 2018 are as follows:

2019 – 2023	\$251,613
2024 – 2026	158,446

Employee Retirement Plan

Non-Uniformed Plan:

Plan Description. The Denver Borough Non-Uniformed Employee Pension Plan is a single-employer defined contribution pension plan established by the Borough of Denver to provide benefits at retirement to non-uniformed employees. All permanent employees become eligible to participate upon completion of two years of service if they are 21 years of age or older.

At December 31, 2013, there were nine plan members. Plan members are not required to contribute. The Borough will contribute 5% of eligible participant's compensation each year. Only those employees who work at least 35 hours per week are entitled to receive employer contributions. In 2013, contributions of \$23,970, or 5% of 2013's annual eligible payroll, plus administrative fees, were made to the plan. Plan provisions and contribution requirements are established and may be amended by the Borough Council of the Borough of Denver.

Basis of Accounting. Pension financial statements are prepared using the modified cash basis of accounting. Employer and plan member contributions, if any, are recognized in the period that the contributions are paid.

Method Used to Value Investments. Plan investments are reported at contract value, which represents contributions made under the contract, plus interest, less funds used to purchase annuities and pay administrative expenses. Plan investment contract values approximate fair value.

The Borough funds all amounts under the Plan, at the direction of the covered employee, through various investment types held with Principal Life Insurance Company. Cash and Cash Equivalents as well as investments held by this fund are restricted to payments made for the pension benefits of the covered employees.

BOROUGH OF DENVER
Notes to Financial Statements - Continued
December 31, 2013

Interfund Operating Transfers

Individual fund operating transfers for 2013 were as follows:

	Transfer In	Transfer Out
MAJOR FUNDS:		
General Fund:		
Capital Reserve Fund	\$ 5,141	\$ 15,785
Water Fund	3,201	0
Sewer Fund	3,849	0
	12,191	15,785
Capital Projects Fund:		
Capital Reserve Fund:		
General	15,785	5,141
Enterprise Fund:		
Water Fund:		
General Fund	0	3,201
Sewer Fund:		
General Fund	0	3,849
	\$ 27,976	\$ 27,976

Transfers out of the Water and Sewer Funds were for refunding employee benefit payments.

Transfers into the Capital Reserve Fund were for budgeted capital expenditures.

Transfers out of the Capital Reserve Fund were due to the elimination of fire capital reserves.

Annuity Contracts

The Borough is the owner of a single premium, annuity contract which was purchased for former employees several years ago. They have no impact on the financial statements and are not part of any of the statements. During 2013, payments were made to a former employee under the terms of the annuity contract in the amount of \$7,286 on behalf of the Borough.

BOROUGH OF DENVER
Notes to Financial Statements - Continued
December 31, 2013

Fund Balances – Governmental Funds

As of December 31, 2013, fund balances are composed of the following:

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
Restricted:				
Public Works -				
Highways and Streets	\$ 0	\$ 0	\$ 16,093	\$ 16,093
Culture and Recreation	0	32,003	0	32,003
Assigned:				
Historical Society	1,221	0	0	1,221
Debt Service	0	0	138	138
Capital Projects	0	84,391	0	84,391
Subsequent Year's Budget	29,650	0	0	29,650
Unassigned Funds	<u>713,564</u>	<u>0</u>	<u>0</u>	<u>713,564</u>
 Total Fund Balances	 <u>\$ 744,435</u>	 <u>\$ 116,394</u>	 <u>\$ 16,231</u>	 <u>\$ 877,060</u>

Escrowed Funds

Periodically, the Borough requires that certain individuals or business place funds in escrow. These funds are required to insure that certain obligations are met to the satisfaction of the Borough. Escrowed funds are maintained in the name of the Borough. As of December 31, 2013, funds held in escrow for the Borough total \$814.

BOROUGH OF DENVER
Notes to Financial Statements - Continued
December 31, 2013

Commitments

Letters of Credit

Developers and others are periodically required to issue an irrevocable letter of credit to secure the completion of public improvements in accordance with Borough ordinances and regulations. These letters of credit are released upon completion of the improvements.

Intermunicipal Property Agreement

As discussed under LEASE RENTALS, the Borough has guaranteed a 16% portion of the East Cocalico Township General Obligation Bond – Series of 2010, for the purchase of real property for a potential recreation center. A study was undertaken to determine the feasibility of this project. The Borough and the neighboring municipalities have decided not to proceed with a regional recreation center. However, in light of recent real estate market conditions, all parties involved have chosen to retain the real property until such time as opportunity arises and all parties are in consensus to dispose of the real property. At such time, obligations discussed under LEASE RENTALS would terminate. In the interim, these obligations remain in effect.

Contractual Commitments

The Borough has entered into a professional services contract with Suburban Lighting Consultants, Inc. related to the Denver Borough Street Light Privatization Project at an estimated cost of \$50,670. Contractual costs of \$48,670 remained unbilled and unpaid at December 31, 2013.

BOROUGH OF DENVER
Statement of Revenues, Expenditures and Changes in Fund Balance,
Budget and Actual - Modified Cash Basis
General Fund
For the Year Ended December 31, 2013

	<u>Budgeted Amounts Original and Final</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Taxes	\$ 1,058,200	\$ 1,098,827	\$ 40,627
Licenses and Permits	48,005	48,452	447
Fines and Forfeits	13,500	11,437	(2,063)
Interest, Rents and Royalties	6,010	7,125	1,115
Intergovernmental Revenues	55,680	51,414	(4,266)
Charges for Service	80,870	86,544	5,674
TOTAL REVENUES	1,262,265	1,303,799	41,534
EXPENDITURES			
General Government	198,870	208,365	(9,495)
Public Safety	653,960	641,972	11,988
Health and Human Services	500	1,100	(600)
Public Works - Highways and Streets	214,305	200,215	14,090
Culture and Recreation	137,785	119,945	17,840
Community Development	48,000	34,805	13,195
Miscellaneous Expenditures	22,375	22,856	(481)
TOTAL EXPENDITURES	1,275,795	1,229,258	46,537
Excess (Deficiency) of Revenues Over Expenditures	\$ (13,530)	\$ 74,541	\$ 88,071

BOROUGH OF DENVER
Statement of Revenues, Expenditures and Changes in Fund Balance,
Budget and Actual - Modified Cash Basis
General Fund - Continued
For the Year Ended December 31, 2013

	Budgeted Amounts	Actual	Variance with
	Original and Final	<u> </u>	Final Budget
			Positive
			(Negative)
		<u> </u>	<u> </u>
OTHER FINANCING SOURCES (USES)			
Contributions/Donations	\$ 0	\$ 20	\$ 20
Refunds of Prior Years Expenditures	0	12,185	12,185
Operating Transfers In	7,260	12,191	4,931
Operating Transfers Out	<u>(15,785)</u>	<u>(15,785)</u>	<u>0</u>
 TOTAL OTHER FINANCING			
SOURCES (USES)	<u>(8,525)</u>	<u>8,611</u>	<u>17,136</u>
 Net Change in Fund Balance	<u>(22,055)</u>	<u>83,152</u>	<u>105,207</u>
 Fund Balance--January 1, 2013	<u>661,283</u>	<u>661,283</u>	<u>0</u>
 Fund Balance--December 31, 2013	<u><u>\$ 639,228</u></u>	<u><u>\$ 744,435</u></u>	<u><u>\$ 105,207</u></u>

BOROUGH OF DENVER
Balance Sheet
Special Revenue Funds - Modified Cash Basis
December 31, 2013

	Non-Major Liquid Fuels <u>Fund</u>
ASSETS	
Cash and Cash Equivalents	\$ 16,093
	<hr/>
TOTAL ASSETS	\$ 16,093
	<hr/> <hr/>
FUND BALANCE	
Restricted	16,093
	<hr/>
TOTAL FUND BALANCE	\$ 16,093
	<hr/> <hr/>

BOROUGH OF DENVER
Statement of Revenues, Expenditures and Changes in Fund Balance,
Budget and Actual - Modified Cash Basis
Special Revenue Funds
For the Year Ended December 31, 2013

	<u>Budgeted Amounts Original and Final</u>	<u>Non-Major Liquid Fuels Fund Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Interest, Rents and Royalties	\$ 5	\$ 9	\$ 4
Intergovernmental Revenues	<u>73,375</u>	<u>74,535</u>	<u>1,160</u>
TOTAL REVENUES	73,380	74,544	1,164
EXPENDITURES			
Public Works - Highways and Streets	<u>70,000</u>	<u>72,683</u>	<u>(2,683)</u>
TOTAL EXPENDITURES	<u>70,000</u>	<u>72,683</u>	<u>(2,683)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>3,380</u>	<u>1,861</u>	<u>(1,519)</u>
Net Change in Fund Balance	3,380	1,861	(1,519)
Fund Balance--January 1, 2013	<u>14,232</u>	<u>14,232</u>	<u>0</u>
Fund Balance--December 31, 2013	<u>\$ 17,612</u>	<u>\$ 16,093</u>	<u>\$ (1,519)</u>

BOROUGH OF DENVER
Combining Balance Sheet- Modified Cash Basis
Capital Projects Fund
December 31, 2013

	Major Capital Reserve Fund
ASSETS	
Cash and Cash Equivalents	\$ 116,394
TOTAL ASSETS	<u>\$ 116,394</u>
FUND BALANCE	
Restricted	32,003
Assigned	<u>84,391</u>
TOTAL FUND BALANCE	<u>\$ 116,394</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 116,394</u>

BOROUGH OF DENVER
Combining Statement of Revenues, Expenditures and Changes in Fund Balance,
Budget and Actual - Modified Cash Basis
Capital Projects Fund
For the Year Ended December 31, 2013

	<u>Budgeted Amounts</u> <u>Original and Final</u>	<u>Major</u> <u>Capital Reserve Fund</u> <u>Actual</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
REVENUES			
Interest, Rents and Royalties	\$ 10	\$ 37	\$ 27
TOTAL REVENUES	10	37	27
EXPENDITURES			
General Government	2,890	2,754	136
Public Safety	500	500	0
Public Works - Highways and Streets	3,880	0	3,880
Culture and Recreation	56,105	5,100	51,005
TOTAL EXPENDITURES	63,375	8,354	55,021
Excess (Deficiency) of Revenues Over Expenditures	(63,365)	(8,317)	55,048
OTHER FINANCING SOURCES (USES)			
Contributions/Donations	0	20	20
Operating Transfers In	15,785	15,785	0
Operating Transfers Out	0	(5,141)	(5,141)
TOTAL OTHER FINANCING SOURCES (USES)	15,785	10,664	(5,121)
Net Change in Fund Balance	(47,580)	2,347	49,927
Fund Balance--January 1, 2013	114,047	114,047	0
Fund Balance--December 31, 2013	\$ 66,467	\$ 116,394	\$ 49,927

BOROUGH OF DENVER
Combining Statement of Revenues, Expenditures and Changes in Net Position,
Budget and Actual - Modified Cash Basis
Proprietary Funds
For the Year Ended December 31, 2013

	<u>Major</u> <u>Water Fund</u>		Variance with Final Budget Positive (Negative)
	Budgeted Amounts Original and Final	Actual	
OPERATING REVENUES:			
Charges for Service	\$ 382,100	\$ 358,972	\$ (23,128)
TOTAL OPERATING REVENUES	382,100	358,972	(23,128)
OPERATING EXPENSES:			
Salaries	164,045	161,132	2,913
Employee Benefits	45,965	43,606	2,359
Purchased Professional and Technical Service	18,335	14,892	3,443
Purchased Property Service	50,840	47,139	3,701
Purchased Treatment Service	0	0	0
Purchased Outside Utility Service	51,710	46,797	4,913
Other Purchased Service and Supplies	33,550	32,526	1,024
Other Operating Expenditures	3,860	2,294	1,566
TOTAL OPERATING EXPENSES	368,305	348,386	19,919
OPERATING INCOME (LOSS)	13,795	10,586	(3,209)
NONOPERATING REVENUES (EXPENSES):			
Earnings on Investments	175	471	296
Refund of Prior Year Expenditures	0	503	503
Capital Outlays	(43,575)	(30,815)	12,760
TOTAL NONOPERATING REVENUE (EXPENSES)	(43,400)	(29,841)	13,559
INCOME (LOSS) BEFORE CONTRIBUTIONS	(29,605)	(19,255)	10,350
Transfers In (Out)	(317)	(3,201)	(2,884)
CHANGE IN NET POSITION	(29,922)	(22,456)	7,466
TOTAL NET POSITION-JANUARY 1, 2013	314,814	314,814	0
TOTAL NET POSITION-DECEMBER 31, 2013	\$ 284,892	\$ 292,358	\$ 7,466

<u>Budgeted Amounts Original and Final</u>	<u>Major Sewer Fund</u>		<u>Total Proprietary Funds</u>		
	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>	<u>Budgeted Amounts Original and Final</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
\$ 772,300	\$ 706,316	\$ (65,984)	\$ 1,154,400	\$ 1,065,288	\$ (89,112)
772,300	706,316	(65,984)	1,154,400	1,065,288	(89,112)
165,855	161,053	4,802	329,900	322,185	7,715
46,670	43,690	2,980	92,635	87,296	5,339
7,835	10,047	(2,212)	26,170	24,939	1,231
231,645	211,578	20,067	282,485	258,717	23,768
218,390	185,185	33,205	218,390	185,185	33,205
20,040	19,216	824	71,750	66,013	5,737
8,170	6,336	1,834	41,720	38,862	2,858
1,560	2,031	(471)	5,420	4,325	1,095
<u>700,165</u>	<u>639,136</u>	<u>61,029</u>	<u>1,068,470</u>	<u>987,522</u>	<u>80,948</u>
72,135	67,180	(4,955)	85,930	77,766	(8,164)
360	780	420	535	1,251	716
0	503	503	0	1,006	1,006
<u>(85,075)</u>	<u>(82,451)</u>	<u>2,624</u>	<u>(128,650)</u>	<u>(113,266)</u>	<u>15,384</u>
<u>(84,715)</u>	<u>(81,168)</u>	<u>3,547</u>	<u>(128,115)</u>	<u>(111,009)</u>	<u>17,106</u>
(12,580)	(13,988)	(1,408)	(42,185)	(33,243)	8,942
<u>(968)</u>	<u>(3,849)</u>	<u>(2,881)</u>	<u>(1,285)</u>	<u>(7,050)</u>	<u>(5,765)</u>
(13,548)	(17,837)	(4,289)	(43,470)	(40,293)	3,177
<u>406,320</u>	<u>406,320</u>	<u>0</u>	<u>721,134</u>	<u>721,134</u>	<u>0</u>
<u>\$ 392,772</u>	<u>\$ 388,483</u>	<u>\$ (4,289)</u>	<u>\$ 677,664</u>	<u>\$ 680,841</u>	<u>\$ 3,177</u>

